

**Reflections on Cooperative Experiences in Rural Yunnan:  
1942 – 2010**

**by**

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## Abstract

The thesis has a double focus: on the one hand, it deals with instances of cooperative economic development in Lijiang Naxi Autonomous County, Yunnan, China, covering three time periods between 1942 and 2010; on the other, it contextualizes these studies' central conceptual thread – the presence or absence of participatory decision-making - through a more general consideration of the relationship between leadership and led in China. Workers' cooperatives are by their very nature democratic institutions, based on the principles of worker self-management and 'one man, one vote'. It is instructive to look at the reality of their practice in a Chinese context, so I examine theoretical approaches to governance relationships arising out of the Chinese experience and studies that consider strategies arising from actual situations. The thesis is quintessentially about a kind of communication mediated by the intervention of cultural, language and ethnicity differences and centering crucially on varying perceptions of 'cooperation', 'cooperatives', and 'participation'.

The studies first examine the cooperative experience of Lijiang County in the early 1940s, when Chinese *Gung Ho* industrial cooperatives developed nationwide and in Lijiang in response to the dislocation of the Anti-Japanese war. In Lijiang, I argue, the remarkable qualities of Peter Goullart, Lijiang *Gung Ho* Depot Master, helped to ensure relative success. In the 1990s, the thesis is concerned with the Simon Fraser University (SFU)/Yunnan Academy of Social Sciences (YASS) 'Cooperative Development (Yunnan, China)' project intended, if possible, to assist with poverty alleviation in Lijiang County through establishing a new generation of small cooperatives. A secondary emphasis through these sections of the thesis is placed on the role of Lijiang people's memories of *Gung Ho* in sustaining an interest in cooperatives; collaborative research between SFU, YASS, and Lijiang partners; and the important role of strong Naxi cooperative traditions. The third study, bringing Lijiang cooperatives into a new era, is of the Yuhu Ecotourism Cooperative.

I conclude that cooperatives in the three historic periods show different forms and degrees of participation, and that the relationship between leadership and led in China is one of extraordinary diversity and complexity, dynamic, interactive and multi-layered.

**Keywords:** communication; rural Yunnan, China; 1940s *Gung Ho* cooperatives; cooperative economic development; poverty alleviation; participatory management

## **Dedication**

To my family;

To Pat and Roger Howard of Simon Fraser University (SFU) and their counterparts at the Yunnan Academy of Social Sciences (YASS) without whose vision, perseverance and sheer hard work the ‘Cooperative Development (Yunnan, China)’ project would not have come into being and existed for seven fruitful years;

To the members of the Chinese and Canadian research teams, and to all project participants in China and in Canada.

## **Acknowledgements**

I wish to express profound thanks to my senior supervisor, Bob Anderson, and supervisors Pat Howard and Zhao Yuezhi. Thanking the members of one's dissertation committee may be usual, but existing for one's committee largely as a signature at the end of e-mail messages from far away is probably not. Their efforts on my behalf have been well beyond the ordinary, as is my gratitude. In particular, I have benefited greatly from Bob Anderson's unfailing encouragement, critical wisdom, and careful, meticulous guidance.

I wish to acknowledge with deep appreciation, and in memoriam, the substantial contribution to this dissertation made by Christina Gilmartin in her role as external examiner; equally, I thank internal examiner Jan Walls for his insightful and knowledgeable suggestions.

I would also like to thank other members of the School of Communication and the wider university community, the International Development Research Centre (IDRC) Singapore Office, and friends in China and in Canada for their kind support.

I have been fortunate in living in a truly interesting place through significant times. As it is customary to say here, I believe China has a 'bright future.' To me, that entails real progress toward the ideals that are the concern of this dissertation.



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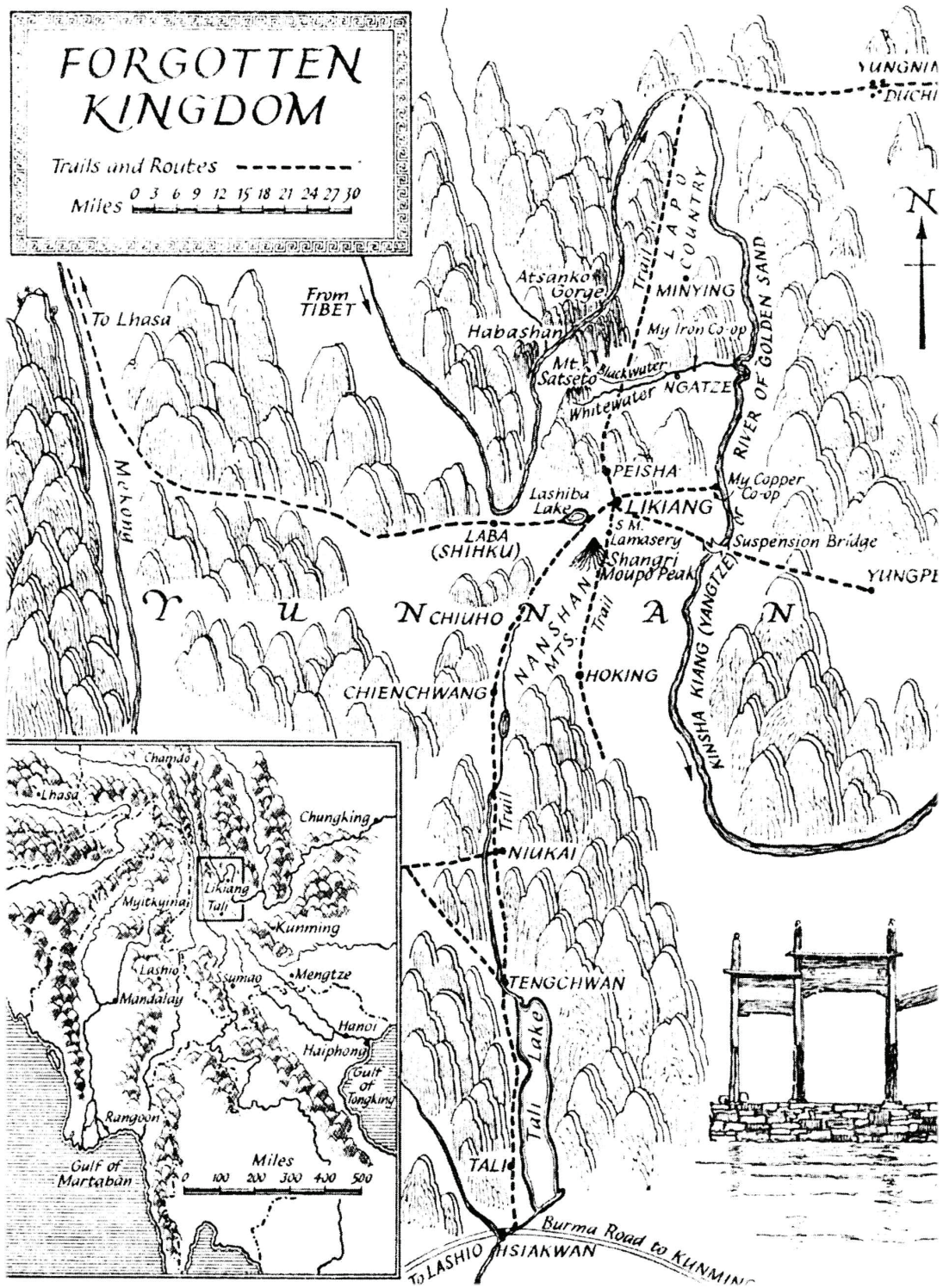
## Glossary:

### *Hanyu Pinyin with Chinese Character Equivalents*

<i>bao chan dao hu</i> 包产到户	<i>gufen hezuozhi</i> 股份合作制	<i>quanmindang</i> 全民党
<i>biangongdui</i> 变工队	<i>gufenzhi</i> 股份制	<i>qunzhong luxian</i> 群众路线
<i>buhui</i> 不会	<i>han keren</i> 喊客人	<i>ren ren canyu, hu hu shouyi,</i> 人人参与, 户户受益,
<i>butie</i> 补贴	<i>hexinzu</i> 合心组	<i>ziyuan gong you, ziyuan gong xiang</i> 资源共有, 资源共享
<i>chi da guo fan</i> 吃大锅饭	<i>hezuogufenzhi</i> 合作股份制	<i>ru gu</i> 入股
<i>cunmin daibiao huiyi</i> 村民代表会议	<i>huacong</i> 化踪	<i>ruoshi tuanti</i> 弱势团体
<i>cunmin xiaozu</i> 村民小组	<i>huikou</i> 回扣	<i>shengchandu</i> 生产队
<i>cunweihui</i> 村委会	<i>hukou</i> 户口	<i>Shougong Guanli Ju</i> 手工管理局
<i>da gong</i> 打工	<i>jiandan jieshao</i> 简单介绍	<i>shuren shehui</i> 熟人社会
<i>Dang'an Guan</i> 档案馆	<i>Jintian</i> 今天	<i>Tusi</i> 土司
<i>dang zhibu + hezuoshe</i> 党支部 + 合作社	<i>lao biao</i> 老表	<i>xiang</i> 乡
<i>dazibao</i> 大字报	<i>laobaixing</i> 老百姓	<i>xian</i> 县
<i>dezui</i> 得罪	<i>laoban</i> 老板	<i>xingzhengcun</i> 行政村
<i>dibao</i> 底保	<i>Laonianren Xiehui</i> 老年人协会	<i>yi shou jiu si, yi si jiu fang,</i> 一收就死, 一死就放,
<i>Dongba</i> 东巴	<i>liangweihui</i> 两委会	<i>yi fang jiu luan, yi luan jiu shou</i> 一放就乱, 一乱就收
<i>fenhong</i> 分红	<i>lingdao</i> 领导	<i>Yinjiu</i> 窖酒
<i>fupin</i> 扶贫	<i>bei lingdao</i> 被领导	<i>yiren weiben</i> 以人为本
<i>Gong An Ju</i> 公安局	<i>mahuar</i> 麻花儿	<i>Yu Zhu Qing Tian Jing Qu</i> 玉柱擎天景区
<i>Gonghe Laoren</i> 工合老人	<i>Makesi</i> 马克思	<i>zhidao</i> 指导
<i>Gong He</i> 工合	<i>minben</i> 民本	<i>zhiyin</i> 指引
<i>Gong Shang Ju</i> 工商局	<i>minjian</i> 民间	<i>zhong zhuan</i> 中专
<i>Gongmin Shouce</i> 公民手册	<i>minzhu shalong</i> 民主沙龙	<i>zhuce</i> 注册
<i>gongye hezuoshe</i> 工业合作社	<i>minzhu</i> 民主	<i>zichanjieji quanli</i> 资产阶级权利
<i>guakao danwei</i> 挂靠单位	<i>mou</i> 亩	<i>zirancun</i> 自然村
<i>guanxi</i> 关系	<i>niuqingjia</i> 牛亲家	<i>zuzhang</i> 组长
<i>gufen gongsi</i> 股份公司	<i>nonghui</i> 农会	<i>zuidi shenghuo baozhang</i> 最底生活保障
	<i>nongmingong</i> 农民工	



Figure 1. Sketch Map<sup>1</sup>



<sup>1</sup> Peter Goullart, *Forgotten Kingdom: Eight Years in Likiang* (London: John Murray, 2002), xx.

*Figure 2. Peter Goullart Leaving on a Tour of Inspection of Remote Cooperatives*<sup>2</sup>



<sup>2</sup> Peter Goullart, *Forgotten Kingdom: Eight Years in Likiang* (London: John Murray, 2002), 109.

# Chapter 1.

## Introduction and Methodology

It is a natural impulse of people to want to control their own affairs.<sup>1</sup>

### Themes and Argument

#### *Communication*

This thesis is about cooperation and cooperatives. It is also quintessentially a thesis about communication. At its heart is collaborative research, with communication between Chinese and Canadian researchers taking place in Chinese, or through interpretation if someone was present who required it. There were also cross-cultural issues between two very different cultures, and other factors that interfered with optimal communication. For example, though we collaborated well, a full sharing of ideas was difficult, since we were ‘foreigners’ and there was much that we could not be told. Even the idea of a cooperative differed across cultures. Chinese people attached a much different meaning to it than we did – but they had an equal claim to the term, which has its own particular history in China. (In fact, we were warned by Chinese team members to be careful of negative implications, since to some people in the countryside ‘cooperative’ suggested the period of higher-level agricultural collectivization, which had to be carried out whether or not people agreed with it.) The fact that we were working with a national minority added another level of linguistic and cultural complexity to the

<sup>1</sup> Noam Chomsky made this statement while meeting in Beijing, on August 15, 2010, with a small group of people interested in cooperatives.

communication mix. Naxi is a language that none of us and only some of the Chinese team members understood.

## ***Cooperation***

The theme of cooperation expressed through the principle of member participation in cooperative management is basic to the thesis. It is variously expressed in cooperatives in Lijiang County, Yunnan, China in three different periods. In my view, the fact that the thesis focuses on a single place at three greatly diverse points in time adds considerably to its interest. I argue that cooperation expresses itself differently between Western and Chinese cooperatives.<sup>2</sup> This, in turn, is because participation is grounded in views of democracy, which differ between cultures; contrary to some views, democracy is a ‘culturally embedded’ concept. I will enlarge on this theme below.

## ***Central Theme: Participation***

The core theme of the thesis is cooperation and, in particular, participation, which, in turn rests on a certain conception of democracy. I take it as granted that ‘democracy’ is exceedingly complex in both theory and practice, and that it has occurred in various forms in different nations and historical periods. This thesis is concerned primarily with ‘participatory democracy’, as described in the Chomsky quote above. I define participatory democracy as the ability of people to control the decisions that most closely affect their lives. The extent to which people are able to influence these grassroots level decisions is the extent to which they have achieved ‘participatory democracy’. Rather than referring to this as ‘participatory democracy’ in the thesis, I refer to it simply as ‘participation’ – the reason being that this is a thesis about cooperatives. In a cooperative, the important question is: to what extent do members participate in cooperative management? The cooperative ideal is that members should participate equally in decision-making on the basis of ‘one man, one vote’.

<sup>2</sup> This is not, of course, to deny the existence of immense and valuable diversity among individual cooperatives, regionally and in other respects, within China, within Canada, and in other countries where cooperatives flourish.

While strongly agreeing with the spirit of the Chomsky quote, I would quibble with the way it is expressed on two grounds. One is his use of ‘natural impulse’, which sounds too much like ‘natural law’ for my comfort – that is, something inborn in all people, everywhere. I am not sure that is true; I am not sure it isn’t, either. The other is that ‘wanting to control one’s own affairs’ can sound dangerously individualist and libertarian, both of which tendencies I disagree with. The whole idea of cooperatives is that people work and decide together, that a group of people, acting in concert, can achieve what individuals acting singly and alone cannot.

Central to the thesis is the argument that participation is differently conceived in different cultures since, as above, notions of ‘democracy’ are rooted in each culture’s history and are variously analyzed and interpreted across cultures. To illustrate this view, I examine how Chinese (and a few Western) theorists have viewed the historical development of the concept of ‘democracy’ in China. It is my contention that these differences have important implications for understanding the development of cooperatives in the Chinese context.

### ***Participation Conceived Using a Leadership: Led Model<sup>3</sup>***

In particular, in China, I argue, history reveals the overwhelming persistence of a strong tradition of leadership. Leaders should be wise and benevolent, and should act in the interests of the people. As Chinese theorist Lei Guang holds, one root of the Chinese term for ‘democracy’ is “treating the welfare of the common people as the basis of wealth and power of the polity.” Logically, then, the interest of the ruler and the interest of the people is the same. The ruler must put the interest of the people above all else, but the ruler does this because it is in his own interest – he must do so in order to stay in power.<sup>4</sup>

<sup>3</sup> While it may be more grammatically correct to use ‘leaders and led’ or ‘the leadership and the led’, after careful consideration, I have concluded that ‘leaders and led’ does not fully express the collective aspect of leadership in China, while ‘the leadership and the led’ is simply awkward. Hence, I use ‘leadership and led’ and ‘leadership-led model’ throughout the thesis.

<sup>4</sup> Lei Guang, “Elusive Democracy: Conceptual Change and the Chinese Democracy Movement, 1978 - 79 to 1989,” *Modern China* 22 (4) (1996): 417–447, 421.

The Chinese colleague I accompanied to Yuhu put it this way, when I asked him about the relationship between the government and the people in China:

The Chinese people are happy to be told what to do by their government, and the government doesn't have to explain why they should do such-and-such a thing. What people do expect is that the government will act on their behalf and to their benefit.

The relationship is that of leadership and led: *lingdao he bei lingdao*. There are three words in Chinese: *lingdao*; *zhidao*; *zhiyin*. *Lingdao* means that you take someone by the hand and lead him; *zhidao* means that you tell the person how to get there and walk with him partway; *zhiyin* means that you don't go with the person but perhaps point out the direction. *Zhiyin* is broader and gives you an objective with different ways of meeting it; *lingdao* is very exact, specific and complete. *Bei lingdao* [to be led] means that to do what you are supposed to do, you do what the leadership tells you.

He went on to say that the sort of participation I envisaged for a cooperative depended on a society in which everyone is well educated and shares the same background. But even in his work organization, he felt, you do what you are told and don't think. He is just a researcher and doesn't think of anything outside what a person doing research thinks. His opinion was that it must be the same in the West, that most people don't bother thinking of things outside their own area.<sup>5</sup>

Needless to say, this is only one view, and it was put to me in a rather extreme fashion. Among those of his colleagues with whom I am acquainted, none would agree with him. I attributed his perspective to youth and inexperience. Also, since he was speaking to a foreigner, these opinions may have been stated for effect, rather than because he truly believed them. Nonetheless, I have quoted them here because I feel that the leadership-led model is the one on which members' participation in the Lijiang cooperatives in later periods is largely, though not exclusively, based. As well, the notion of the centrality of leadership continues to have wide currency in the society. For example, a friend who proudly speaks of himself as a member of the *laobaixing* (the 'old one hundred names' – the ordinary people of China), remarked to me, in the context of a recent corruption scandal, that people like him really didn't care if leaders were corrupt

(it went with the territory), as long as they acted in the people's interests and for their welfare.

I do want to emphasize here that I am not attempting to generalize about China as a whole – not about rural China and, in particular, not about urban China – but rather to discuss what seems to me to emerge from three rural studies, which are as detailed and meticulous as I could make them with the material available to me. In the cities, especially in Beijing, small groups of various persuasions push at the edges of the currently permissible in interesting and exciting ways – but that is not my concern here.

I continue the argument by suggesting that in a Western cooperative the notion of participation is one involving members' sense of themselves as equals, working together for a common purpose, with decision-making that is conducted face-to-face with an open, shared discussion of issues. Pre- and post-revolutionary China has had periods in which participation was similarly conceived and practiced, but I believe that the prevailing view has remained that of the 'mass line', expressed by Mao as 'from the people, to the people', in which the opinions of the people are solicited, but final decisions are made by the leadership. As another Chinese colleague comments, this is simply 'the government's way of doing things'. In Chapter 6, which deals with the Yuhu Ecotourism Cooperative, I argue that the consultation process that goes on between the 'Two Committees' – the party committee and the village committee – and villagers follows this pattern.

### ***The Complexity of the Model: Four Frameworks***

However, I go on to argue that the relationship between leadership and led in China is one of great complexity. I conceive this relationship in terms of four 'frameworks' of which the first one is 'the mass line'. I explain that comprehending the ramifications of 'the mass line' policy is not a simple matter, because it is mediated in various ways that give people many more avenues of making their opinions known to their government than might at first appear evident.

<sup>5</sup> Author's Field notes, 2010, (these notes cover April 8-21, 2010 stay in Yuhu), 26.

The second framework, ‘State and Civil Society’, suggests that following the events of 1989 in Eastern Europe and in China, and arising from change engendered by a newly diverse economic system, a form of civil society arose in China. I argue that this was a civil society that was not separate from government, but included it, and that this framework, therefore, provides a view of the leadership-led relationship more suited to the reform period and allowing for interesting new social developments.

Framework Three is ‘Institutional Parasitism’. This framework is based on personal relationships, whereby in liberal periods government and Party officials acting as private individuals collude with those outside both Party and government, the leadership with the led. The framework illustrates that as the people are sometimes complicit in allowing themselves to be led – but never passively – so, on occasion, the line between leaders and led blurs to allow implicit collaboration on mutually agreed goals. (I am aware that this phenomenon is not unique to China.)

The fourth framework, ‘the Mixed Regime’, describes a leadership-led relationship in which the leadership is characterized by ‘resilient authoritarianism’ while, in the countryside, villagers have obtained a first step towards democracy through the institution of village elections.

In deriving these frameworks, in some cases I draw from the experience of urban intellectuals, though I intend the frameworks as a means of considering the experiences of rural citizens. In my view, doing so is justified because, although the frameworks apply differently in the countryside, they do apply. Furthermore, higher level leaders who certainly influence people everywhere, come increasingly from an urban intellectual milieu, and it is this milieu that shapes current governance. This is certainly true at central and provincial levels, and also in some counties. In any case, my primary intention in setting out these frameworks is as a means of conveying the flexibility, diversity, and complexity that seem to me evident in the interactions between leadership and led currently in China.

As regards the four frameworks and the rural studies, I argue that while the general application of ‘the mass line’ and ‘the mixed regime’ is evident, the other two frameworks apply equally, if differently, to the countryside in the following way. The



State-Civil Society Framework, though ‘civil society’ is an urban-derived concept, applies to the countryside because, in ‘looser’ periods when a civil society is allowed to blossom, civil society structures appear in rural as well as urban settings. I see evidence of this in the actions of ‘policy-based resisters’ cited in Chapter 7. The ‘Institutional Parasitism’ Framework has the sole purpose of demonstrating the intricate and inventive strategies the people employ to circumvent regulations, promulgated by the leadership at all levels, that they do not agree with. In the context of constant and necessary attempts to outmanoeuvre bureaucracy, I believe the framework applies also in the countryside.

I wish to comment briefly on my use, from time to time, of ‘looser’ and ‘tighter’. A Chinese friend of mine liked to say about pre-1979 (pre-reform) China: ‘*yi shou jiu si; yi si jiu fang; yi fang jiu luan, yi luan jiu shou.*’ (‘When you tighten up, it dies, when it dies you let go; when you let go, there is chaos, when there is chaos, you tighten up.’) This was said about the economy, but could have represented the condition of society during the same period, and described periodic cycles of loosening and tightening of controls, loosening leading to what was at least perceived as chaos by those in authority, tightening leading to such a profound stifling that no liveliness remained. The contemporary society still goes through ‘looser’ and ‘tighter’ periods. In ‘loose’ periods, the phenomena represented by these four frameworks have greater scope; in ‘tight’ periods, they are scaled down, to wait for the next ‘loose’ period.

I conclude by considering how the leadership-led model elucidated by these frameworks applies to the cooperatives of the three periods. In my view, there is member participation to a different extent and in different ways in each case. I believe that the leadership-led model applies in the 1990s and contemporary periods, but that there are elements of genuine participation to be found as well. For the *Gung Ho* period of the 1940s, I argue that there was a possibility that some cooperatives more or less fully followed cooperative principles.

## ***Memory***

Memory bridges the three periods that make up this thesis. In 1941, Peter Goullart established the ‘Likiang Depot’ of the Chinese Industrial Cooperatives (CIC).

The organization's purpose was to help Chinese, impoverished and forced to flee the Japanese incursion into China during China's 'War of Resistance against Japan', by forming small industrial cooperatives. The refugees had skills and the country needed what they could produce, for civilian as well as military use. CIC was supported both by patriotic Chinese and by foreign 'friends of China' who wished to provide assistance.

It was knowledge of the history of the 1940s Lijiang cooperatives that inspired the conception on which the 1990s cooperatives project was based; Lijiang people supported it due to their memories of Peter Goullart and *Gung Ho*. 1990s collaborative research investigated these memories and shared the information through cooperative management workshops. Another strand of memory tied Yuhu to the 1990s and to the 1940s.

Peter Goullart was a remarkable man – intelligent, compassionate, and culturally adaptable to an extraordinary degree. Well versed in Chinese language and culture, he became a fully integrated member of the Naxi society of 1940s Lijiang, a place so remote, with inhabitants, who, while equally Chinese, were so uncivilized to Han Chinese eyes that, as Goullart remarks, no self-respecting Han Chinese person was willing to go there. During the next eight years, Goullart lived a fascinating life while assisting Lijiang people to form cooperatives, which, in his view, successfully transformed the economy of Lijiang. As I explain, I believe that it was Goullart's belief in Daoist philosophy that made much of this possible. In the 1990s, because we knew this history, Canadian and Chinese teams considered that re-establishing small cooperatives in Lijiang might be a possible poverty alleviation strategy for an area that remained poor and remote.

At that time, Goullart lived on in the memories of some of the Naxi people we encountered; to most people, he had become a legendary figure. In particular, we met and came to know well two wonderful old men, the *Gung Ho* Elders, who had taken part in Goullart's cooperatives. One recalled how naughty little boys in Lijiang delighted in chasing Goullart and teasing him for his noticeably bald pate, which Goullart took in good part, always finding ways to tease them back.

The Yuhu Ecotourism Cooperative, which represents the third period I examine in this thesis, was formed partly due to advice given by a man who remembered the 1990s cooperatives and was influenced by them. In addition, Yuhu villagers had their own

memories of the 1990s cooperatives, since the village had been the site for a related project. And Yuhu had ties to the 1940s through its associations with Joseph Rock, an eminent Austrian-American botanist and friend of Peter Goullart, who, for some years during his 1924 – 1949 exploration of southwest China, made his home in the village.

### ***Lijiang and the Naxi***

Thus, this is also importantly a thesis about a people and a place. As Goullart chose Lijiang as the site for a CIC Depot not only for its economic advantages, but also because of his long-held religious and philosophical desire to live in a remote, beautiful place inhabited by a Tibetan people (the Naxi are Tibetan in origin), so we, too, chose Lijiang and the Naxi not only for the cooperative history and traditions they represented but for the unique quality of the place itself. Lijiang, to us, was as special a place as it had been to Peter Goullart.

All of my research experience has been with China's national minority peoples; I have come to take this fact for granted, and should not. It is an issue of which we were very much aware in the 1990s, as was Peter Goullart in the 1940s. It is represented in this thesis specifically by renderings of Goullart's views on the subject; by our research on Naxi cooperative traditions in the 1990s, including the *hexinzu*; and by information on the Yuhu *huacuo* in 2010. Interestingly, Ma Lijuan of Yunnan Nationalities University in a 2002 article entitled, "Peter Goullart and the Industrial Cooperative Movement in Lijiang" mentions Naxi cooperative traditions such as the *hexinzu* and *huacuo*, and concludes that these traditions make national minority populations particularly suited to employing cooperatives as a means of economic development.<sup>6</sup> I believe that our experience also suggests such a view.

<sup>6</sup> Ma Lijuan. "Gu Bide Yu Lishishang Lijiang Diqu de Gongye Hezuoshe Yundong," ("Peter Goullart and the Industrial Cooperative Movement in Lijiang"), *Yunnan Minzu Xueyuan Xuebao*, (July 2002).

## Outline of the Chapters

Chapters 2 and 3 make up the first study. In them, I examine the *Gung Ho* cooperatives of the 1940s, and Peter Goullart's influence as Depot Master of the CIC 'Likiang Depot'. These chapters give a brief history of how and why the Chinese Industrial Cooperatives were formed, as well as background on Peter Goullart's life prior to his arrival in Lijiang. I examine how Goullart was able to integrate himself into Lijiang society and assist Lijiang people to initiate cooperatives, arguing that it was Goullart's gregarious nature, his humour, his astuteness as a businessman and his Daoist beliefs that helped him to be successful. Chapter 2 deals with this background. In Chapter 3, I go on to explore how the Lijiang 1940s cooperatives actually functioned. How were they managed? How were decisions made? What did it mean to be a member? Did members participate in decision-making?

In Chapters 4 and 5, I deal with the second study, which has to do with the 1990s Lijiang cooperatives. I describe the origins of the project 'Cooperative Development (Yunnan, China)' in the convictions of project teams from Simon Fraser University (SFU) and the Yunnan Academy of Social Sciences (YASS), funded by the International Development Research Centre (IDRC), that poverty alleviation in Lijiang County was essential. We felt that this purpose might be accomplished through a new effort to establish cooperatives, building on memories of the 1940s *Gung Ho* cooperatives – if it appeared that there might be interest among Lijiang people to do so. In Chapter 4, I examine the collaborative research, in China and in Canada, which was intended to establish feasibility and provide a basis for the project. Chapter 5 examines the Lijiang Cooperatives Association, the central body set up to manage the cooperatives, the small cooperatives, and the issue of how their management structure functioned. To what extent and in what way did members participate?

In Chapter 6, I bring the research into the contemporary period through the third study, concerned with the Yuhu Ecotourism Cooperative. I find this cooperative fascinating for the mix of ways in which participation is achieved, some exemplifying the leadership-led model of government management, but others suggestive of an element that exceeds the merely consultative.

Chapter 7 is called ‘Frameworks’ and Chapter 8 is the concluding chapter, applying Chapter 7’s leadership-led model and its frameworks to the cooperatives of the three periods described in the studies. The content of these two chapters is outlined above, and I will not elaborate on it further.

Finally, I have added two appendices. In Appendix 1, I provide the reader with information on the functioning of Canadian cooperatives and on international cooperative principles. This information is drawn from research on Canadian cooperatives primarily founded in the 1970s and written about in the 1990s – the period during which we were involved with Chinese cooperatives in Lijiang. I chose cooperatives founded in the 1970s because that was a time in Canada when cooperative convictions were strong and cooperatives were small – similar in scale to our Lijiang cooperatives. Because the thesis is centrally concerned with a Chinese-Canadian project, I chose Canadian cooperatives as representative of cooperatives following international cooperative principles.

Appendix 2 updates the reader on the later history of CIC and ICCIC, revived as Chinese organizations in 1984 and 1987, respectively, and briefly mentions the Chinese Cooperative Law of 2007 and the farmers’ specialized cooperatives initiated according to that law.

## **Methodology**

The methodology I have used in this thesis is a mix of the informal interview and participant observation in the studies, historical and analytical approaches in the remaining chapters. Historical and analytical approaches are intended primarily to illuminate the 1990s period, framing the core content of the thesis. At the beginning of this introduction, I have reviewed the extent to which, and the reasons why, I believe that this is fundamentally a thesis about communication.

## ***The Studies***

### **Self-Presentation**

Ethically and practically, it is necessary to offer an explanation of who one is and what one wishes to do at the beginning of a research interview. As a member of a Canadian research team, accompanied by a Chinese research team, these explanations were usually done for us and often preceded our arrival. At other times, I worked with a single Chinese colleague, occasionally with several, and sometimes alone. I presented myself as a member of a research team, or as a graduate student writing a thesis, whichever was appropriate for the occasion. This introduction appeared to pose no problems: my/our informants were pleased that someone was interested in their particular fragment of current life or history. In most cases, they provided enthusiastic assistance.

### **Biases**

Anything I write about China carries with it the baggage of years of thinking and caring about the country and its people, of perceptions and theories at times accurate, at times mistaken but together making up a crucially formative part of my life.

### **Research Collaboration**

The research I have done has been collaborative almost without exception, though this thesis is entirely my project. My mention of individual research colleagues here is as oblique as possible, for which there are reasons.

I want, however, to make brief reference to concerns about the nature of the relationship between researcher and informants, power differentials, ‘cross-national’ research,<sup>7</sup> and holding oneself accountable to informants.<sup>8</sup> I doubt that there is a more sensible, sensitive discussion of these issues than that to be found in the introduction to Margery Wolf’s *A Thrice-Told Tale*. The same sensitivity characterizes the student

<sup>7</sup> Margery Wolf, *A Thrice-Told Tale: Feminism, Postmodernism, and Ethnographic Responsibility* (Stanford: Stanford University Press, 1991), 6.

<sup>8</sup> Michael Burawoy, *Ethnography Unbound: Power and Resistance in the Modern Metropolis* (Berkeley: University of California Press, 1991), 127.

researchers' interactions in the studies in the Burawoy volume, both during their research and following its completion.

My intention in my thesis research was to engage in a mutual exploration with Lijiang people of issues relevant to cooperative organization, present and past. It went without saying, as far as I was concerned, that we would engage in this collaborative endeavour from a position of equality. In fact, if anything, I expected constantly to find myself in what Michael Agar terms the 'one-down' position, having less knowledge, less grasp of language, and fewer relevant skills than those around me.<sup>9</sup>

### **The Informal Interview**

It is evident that what I do is not ethnography, yet the informal ethnographic interview is the research method with which I feel most comfortable. I find in it a structure which permits personal and long-term involvement, which respects and gives a voice to the person being interviewed, which allows a hypothesis to develop out of gradually accumulated knowledge, which places the interviewer in the role of learner. As researcher, I prefer to be the good listener, to follow where my informant leads.<sup>10</sup> I found this approach especially suited to interviewing informants from the 1940s *Gung Ho* co-operatives, acquiring a wealth of information by letting them tell their stories without, initially, much interruption or questioning. As people in their seventies and even eighties, they were able to provide wide-ranging reminiscences on Lijiang life in the 1940s, much of it invaluable and on topics about which I could not have known enough to frame intelligent questions.

One researcher, Thomas Gold, describes a method he devised for interviewing individual entrepreneurs in several different regions of China. Since he was primarily walking through marketplaces, talking to people as they worked, and because at the time he was doing the research, note taking would have caught the attention of market officials and alarmed his informants, he was forced to take notes after the fact. He memorized a

<sup>9</sup> Michael H. Agar, *The Professional Stranger: An Informal Introduction to Ethnography* (Orlando: Academic Press, 1980), 69.

<sup>10</sup> Agar, *Professional Stranger*, 100.

written list of questions, which he asked in no particular order as he could work them into a conversation then retreated immediately to his hotel to write up the results.<sup>11</sup> This method was well suited to the information Gold was attempting to compile: his goal was to make a partly statistical comparison across different settings. My areas of interest generally don't require such methods: as I have said, I prefer the open-endedness and flexibility of the informal interview.

Regarding issues of reliability and validity, it is suggested that where the informal ethnographic interview is concerned, this must simply be accepted as a complex matter. What an informant says to us and our observations of what he does *do* sometimes differ. Informants sometimes leave things out and/or are inconsistent. They have their biases, as the interviewer has biases. Contact with the interviewer may 'train' the informant into the interviewer's way of looking at the world. Informants' accounts will vary and be mutually incompatible on some points. However, this is 'a normal part of human interaction'.<sup>12</sup> It should be noted, discussed, understood, and dealt with. Getting to know informants and the community, being personally involved, should provide the information that allows the interviewer to accurately evaluate informant interviews.<sup>13</sup>

I was usually able to write the field notes on which my studies are based at the time. On some occasions, for example, in the case of many long conversations with the staff of the 'Lijiang Cooperatives Centre', I would have offended people had I taken notes in their presence. In those instances, I wrote up notes at night. I have found that I can retain information very accurately by jotting down main ideas in a few words as an aide memoire for use several hours later.

In taking field notes in China, I have always listened in Chinese and written in English. I had had years of practice prior to taking the field notes on which this thesis is based, and I have become quite skilled at taking notes that are complete and accurate. I

<sup>11</sup> Thomas B. Gold, "Guerrilla Interviewing Among the Getihu," in *Unofficial China: Popular Culture and Thought in the People's Republic*, ed. Perry Link, Richard Madsen and Paul G. Pickowicz (Boulder: Westview Press, 1989).

<sup>12</sup> Agar, *Professional Stranger*, 110.

<sup>13</sup> Agar, *Professional Stranger*, 110.



am meticulous and very careful. In addition, and very importantly, I have never been without access to ready sources of assistance. When we did collaborative research in the 1990s, all or some members of the Canadian team were present, and we constantly consulted and compared notes. When we were unsure of something, we appealed to our Chinese colleagues. In the case of the research in Yuhu, on each of my two visits, I went with a Chinese colleague; both were very helpful. The responsibility for any errors is mine. I might add that even carefully recorded Chinese statistics are often internally inconsistent; the reader who expects the figures to add up is likely to be disappointed.

### **Participant Observation**

‘Participant observation’ is variously defined by different people. In *The Professional Stranger*, Michael Agar uses it to cover the range of activities included in the process of ethnography. “The term suggests that you are directly involved in community life, observing and talking with people as you learn from them their view of reality.”<sup>14</sup>

Data from observation is a necessary supplement to interviews, Agar feels, but the interview is the methodological core. ‘Talk’ is central, observation feeds informal interviews and tests the results of interviews: in fact, observation and interview are inseparable, they ‘mutually interact’.<sup>15</sup>

Gold, whose study is mentioned above, defines his ‘guerrilla interviewing’ methodology as “unchaperoned spontaneous but structured participant observation and interviews as opportunities present themselves.”<sup>16</sup> Gold views himself as a participant observer because he initiates relationships with the entrepreneurs, presenting himself as a consumer. He enquires about a particular item of merchandise and lets the conversation evolve, asking questions about the operator, the enterprise and the merchandise and

<sup>14</sup> Agar, *Professional Stranger*, 114.

<sup>15</sup> Agar, *Professional Stranger*, 107–111.

<sup>16</sup> Gold, “Guerrilla Interviewing,” 180.

offering information about himself and life in the U.S. To prevent being exploitive, he often buys something, eats something, or has his hair trimmed.<sup>17</sup>

The extended case method featured in Michael Burawoy's *Ethnography Unbound: Power and Resistance in the Modern Metropolis* involves a degree of participation which is much less attenuated: here, 'participant observation' means becoming an active, working member of the organization under study.<sup>18</sup>

Participant observation certainly figured in my research on the 1990s and Yuhu cooperatives, though my ability to 'participate' was limited. Foreigners remain outsiders as regards any Chinese organization; one cannot easily simply 'join in'. For example, much as I might have liked to work for a time at one of the Lijiang 1990s cooperatives, it would have been impossible. Had I been able to do so, because I am a foreigner, much would have remained hidden from me and much would have been distorted by my presence. On the other hand, I really was a participant observer in the various workshops we conducted, in several eco-tourism trips, and in relationships with the staff of the Lijiang Cooperatives Association and YASS. This was true of all members of the Canadian team: in doing collaborative research with our Chinese colleagues, we were genuine and active participants.

In general, I agree with Agar's view that the two processes are entwined: the strength of the informal interview is that it does not just involve interviewer and informant sitting together, but that it can take place anywhere – in a field, over a meal, during a ceremony. Similarly, 'participant observation' would be meaningless without the talk, which is its whole purpose.

## **Oral History**

It would evidently be possible to view my work with the 1940s *Gung Ho* survivors from the perspective of oral history. I have done historical research on this period: checking sources, searching for documentation, weighing evidence. It is tempting

<sup>17</sup> Gold, "Guerrilla Interviewing," 180–182.

<sup>18</sup> Burawoy, *Ethnography Unbound*, 11.

to view oral history simply as that bit of history you can talk back to, or that can talk back to you.<sup>19</sup> But I don't think that what I have done is really oral history. Oral history has been described as follows:

...the final product of oral history is not a monograph or historical narrative based upon interviews as sources. The interviews may be used for such work, but all the prideful boasting about how many historians use our work for their own publications should not obscure the fact that the focus of oral history is to record as complete an interview as possible – an interview that contains within itself its own system of structures...<sup>20</sup>

Our aim is to bring to conscious articulation the ideological problematic of the interviewee, to reveal the cultural context in which information is being conveyed, and to thus transform an individual story into a cultural narrative, and, thereby, to more fully understand what happened in the past...Concentration upon the interplay of ideology and various conceptions of history is also of special importance to the oral historian because such a methodology is what distinguishes him from other field workers who use interviews, such as psychologists, anthropologists and folklorists.<sup>21</sup>

If these statements can be taken as in some sense defining oral history, then my interest does not fit within it. My concern is rather with discovering certain information around a fairly narrow topic (narrow relative to the scope outlined above) from a number of informants who, because they took part in events at the time, might have that information. My stance, I think, is not that of the historian.

Nonetheless, there are insights that I find appealing and useful. For example, the concept that oral history interviews are constructed, that they must be seen as an *equal* interaction between historian and interviewee, with the former contributing as much to

<sup>19</sup> Ronald J. Grele, "Movement without Aim: Methodological and Theoretical Problems in Oral History," in *Envelopes of Sound: Six Practitioners Discuss the Method, Theory and Practice of Oral History and Oral Testimony*, ed. Ronald J. Grele, 2<sup>nd</sup> ed., revised and enlarged, (Chicago: Precedent Publishing, Inc, 1991), 131-132.

<sup>20</sup> Grele, "Movement without Aim," 135.

<sup>21</sup> Grele, "Movement without Aim," 142.

the final product as the latter<sup>22</sup> or that oral history being dependent on field work, we can ‘...come back again and again to our sources and ask them to tell us more...’,<sup>23</sup>

Finally, I am strongly sympathetic with the view expressed in the Burawoy collection: that one’s theoretical conceptions should grow out of fieldwork practice. I will end this introductory chapter with a few notes on specific matters.

## **The 1940s Cooperatives Source Materials and Terminology**

There is quite an extensive literature in English and Chinese on the 1940s Chinese Industrial Cooperative movement. However, both primary materials and secondary sources concentrate on the movement in other parts of China. For various reasons explored in the thesis, Lijiang was an anomaly; though its cooperatives helped Lijiang become more prosperous, the area was too poor and remote for development on the scale the movement’s founders envisaged. Hence, it was largely ignored. The same was true for the whole of the Southwest China Region.

I have found two sources of primary material on the Lijiang *Gung Ho* cooperatives and Peter Goullart – to my knowledge, these are the only sources. The first is the INDUSCO collection held at Columbia University’s Rare Books and Manuscripts Library. I have used the materials from that collection in Chapters 2 and 3 of my thesis. The other source is the No. 2 Archive in Nanjing, which holds documents from the Nationalist (*Guomindang* or KMT) period. In addition to English *Gung Ho* documents, it also, apparently, has several boxes of financial records, which were kept in Chinese. The archive is closed, and has been closed for some time; I was never able to access its holdings. However, Pauline Keating, Senior Lecturer at Victoria University’s School of History, Philosophy, Political Science and International Relations in Wellington, and a specialist in research on Chinese cooperatives, was kind enough to send me a few of the notes she took at a time when the archive was open. I did not find anything in her notes

<sup>22</sup> Grele, “Movement without Aim,” 134–135; Kathryn Anderson et al., “Beginning Where We Are: Feminist Methodology in Oral History,” *Oral History Review* 15, (1987), 103–127, 102.

that differed from the material I already had – but I did not see all of her notes, and her interest is in other parts of China rather than Lijiang. Needless to say, I greatly regret not having been able to obtain copies of the Nanjing materials and intend to do so when that becomes possible.

The terminology used to refer to the cooperatives established in the 1940s can be confusing. In China, the cooperatives are called ‘Chinese Industrial Cooperatives’ and the organization administering them is known as CIC. However, the movement and its cooperatives adopted the motto *Gung Ho* from the Chinese *Gong He*, meaning ‘work together’. Thus, the cooperatives are sometimes simply referred to as the *Gung Ho* cooperatives. ‘The International Committee for the Promotion of Chinese Industrial Cooperatives’ (ICCIC) was founded to raise essential international funding for the Chinese movement. Its American office, ‘the American Committee for the Promotion of Chinese Industrial Cooperatives’, situated in New York, was known as INDUSCO, Inc.

## **Names, and Locutions in Chapters 4 and 5**

I decided from the outset in working with the Lijiang 1990s cooperatives material that, as much as possible, it would be best to speak in terms of teams rather than of individual team members. On occasion, the decision causes awkward locutions, for which I apologize. In cases where this usage does not seem necessary, or where referring to an individual cannot be avoided, I refer to individuals using names that largely do not reflect the person’s actual name. (This is the case with names throughout the thesis.) Many individuals bear the same surname, as is the case in reality; this does not mean that they are related, unless so indicated. I also use ‘we’ referring to Canadian team opinions. I have tried to do this only when fairly sure that other team members’ views agreed with mine, and I hope I have not been wrong. In any case, the opinions expressed in the thesis are mine; others may think differently.

<sup>23</sup> Grele, “Movement without Aim,” 141.

## Chapter 2.

# The 1940s *Gung Ho* Cooperatives in Lijiang: The Background

### *Gung Ho* History

In this chapter, I wish to provide the reader with essential background having to do with the history of the 1940s cooperatives in Lijiang (or ‘Likiang’ to use the traditional map spelling common in the 1940s), and Peter Goullart, Likiang Depot Master.

China’s ‘War of Resistance against Japan’ began in July 1937. Within a year, patriotic Chinese and concerned foreigners had begun to consider how to help China resist the invading Japanese. A survivor of that period explained the genesis of the organization they founded:

In 1937, Rewi Alley was working for the Municipal Council of the International Settlement in Shanghai as chief factory inspector. Following the invasion of Shanghai by the Japanese, he was very anxious to help China oppose Japan, but he didn’t know what to do. In discussing his ideas with a small group of friends that included Mme. Song Qingling and Edgar Snow, Snow suggested that industrial co-operatives would be a possibility for China. Alley agreed that China was civilized, its people intelligent and skilled at working with their hands. These characteristics could form the basis for a network of industrial co-operatives.<sup>1</sup>

<sup>1</sup> He Jixian, *Gung Ho* Elder, interview with author, April 13, 1992; The speaker, He Jixian, a ‘Gung Ho Elder’, was introduced to us in the 1990s as Goullart’s former accountant; he was not a cooperative member. Goullart notes that he was appointed to the Depot clinic as clerk as of January 1, 1949, following training at the Shandan Bailie School beginning in June 1947. He was then twenty years old. Sometime prior to our first meeting with him in 1992, he had been district level Party Secretary in Lijiang for some years.

In August 1938, the Association for the Advancement of Chinese Industrial Co-operatives was set up in Wuhan. At the same time, Alley, Snow and friends founded the International Committee for the Promotion of Chinese Industrial Co-operatives to pursue international funding for the cooperatives. Rewi Alley was appointed technical advisor on *Gung Ho* affairs to the Executive Yuan of the Nationalist government and within two years, 3,000 cooperatives had been established, with a membership of 30,000. (The movement was called *Gong He* in Chinese from *gongye hezuoshe* ‘industrial co-operatives’; *Gung Ho* was the modified Wade-Giles equivalent.) The next two chapters are concerned with *Gung Ho* cooperatives in Lijiang County, Yunnan Province, in China’s southwest.

In addition to the official sanction of the Nationalist government, progressive individuals and the Communist Party also enthusiastically supported the cooperative movement.

It is interesting to note that the cooperative idea was not introduced into China with the *Gung Ho* cooperatives. According to a 2006 book by Zhao Quanmin, the rural cooperative movement began in 1928.<sup>2</sup> Zhao lists sixty-five rural cooperatives in Yunnan in 1939; 4,806 in 1940; 7,063 in 1947, with the sharpest rise occurring between 1939 and 1940.<sup>3</sup> He suggests that the marked growth in the number of cooperatives was due to a government injection of funds. Government chartered banks and commercial banks then followed suit by providing larger amounts of capital; this money was dispersed through credit cooperatives and resulted in a further increase in the number of cooperatives.<sup>4</sup>

From its inception, the *Gung Ho* movement set itself to confront problems of poverty, unemployment and under-employment, and the influx of coastal area refugees, fleeing from the Japanese. As well as producing essential consumer goods, *Gung Ho* co-

<sup>2</sup> Zhao Quanmin, *Zhengfu, Hezuoshe, Nongcun Shehui - Guomindang Nongcun Hezuoshe Yundong Yanjiu. The Government, the Cooperations and the Country Society: A Study on the Rural Cooperative Movement in National Republic of China.* (Shanghai: Shanghai Shehui Kexue Yuan Chubanshe, 2007), 4.

<sup>3</sup> Zhao, *Zhengfu, Hezuoshe*, 165, 166.

<sup>4</sup> Zhao, *Zhengfu, Hezuoshe*, 169.

operatives across China manufactured cloth, blankets, weapons and ammunition for the war effort. Regarding Lijiang specifically, an informant stated:

The Guomindang armies had to withdraw to the south, southwest and north, in retreat from the Japanese invasion. That is how co-ops came to be located here. We had skilled handicraft workers who were unemployed or semi-employed, and nothing to buy in the markets. People needed a livelihood and they needed goods. The army also needed equipment, like clothing and blankets.<sup>5</sup>

Funding came primarily from outside China: the International Committee raised more than ten million US dollars and, at the same time, increased world awareness of Japanese aggression against China.

Across the country, *Gung Ho* cooperatives included:

...co-operatives for spinning and weaving, dyeing, tailoring, and knitting...Then came such trades as soap making, furniture manufacture, leather tanning, boot and shoe making, paper making, food processing, including rice milling, flour milling, oil pressing. Also came potteries, glass, brick and tile, small mining and metal working shops.<sup>6</sup>

*Gung Ho* regional offices encouraged the establishment of machine shop cooperatives for each area to turn out machinery for distribution among cooperatives. The machinery included platen presses, small rice mills, sugar cane crushers, charcoal-burning generators, equipment for small alcohol and acid making plants, punch presses, cutting machines for tobacco. At this level, also, transport cooperatives were organized and accountants and technicians trained. In some areas, regional federations of cooperatives were set up to operate marketing and supply cooperatives and a cooperative treasury.<sup>7</sup>

As the cooperatives became successful, however, reluctant Nationalist support for the *Gung Ho* movement turned into active hostility. While the Nationalist government

<sup>5</sup> He Jixian, interview with author, April 13, 1992.

<sup>6</sup> Rewi Alley, "Thinking over Gung Ho" in the International Committee for Promotion of Chinese Industrial Cooperatives; The Research Office for Rewi Alley's Works, Chinese People's Association for Friendship with Foreign Countries, *Rewi Alley on Gung Ho* (Beijing: Beijing Review Press 1989), 6.

<sup>7</sup> Alley, "Thinking over Gung Ho," 6.



was able to control the organization's Chongqing office, district offices saw their mandate as building a base for a wartime economy in the villages and towns of unoccupied China – in areas held by the Communist Eighth Route and New Fourth Armies as well as in areas held by Nationalist armies. Although the Nationalists continued to praise the movement because of its high international profile, they began, at the same time, to take measures to check its growth. With the cooperatives calling for an enlarged scale of production based on mechanization or semi-mechanization, they had finally become too threatening. In September 1942, Rewi Alley's position as CIC technical expert was terminated, with no reason given. He discovered later that the main charges were "dealings with the Communists in secret."<sup>8</sup> Rewi notes in his autobiography that: "The discharge did not affect my work in any sense. I just avoided Chongqing and kept on as usual in my position as field secretary of the International Committee."<sup>9</sup> In 1946, with civil war looming in China, the Nationalist government withdrew its financial support of the cooperatives.<sup>10</sup>

Ironically, though naturally enough, it was the Communist Party that brought about the complete demise of *Gung Ho*. With the success of the revolution in 1949, the *Gung Ho* cooperatives were felt to be redundant: nothing that they had accomplished could not be better done by the Party itself. Furthermore, in the immediate post-revolutionary climate, with its fear of imminent counter-revolution, the *Gung Ho* movement's foreign connections were suspect. Across the country, a group of bright, patriotic young people soon had the prime of their lives taken from them for their participation in *Gung Ho*. This was the report of one of our informants:

Almost all of the Lijiang co-operatives were finished by 1949. The leather co-op in Longquan was the only exception. It lasted until 1955 or 56. [There was no indication by the speaker as to why this was the case.] Between 1949 and 1957, some former co-op members worked in their homes, selling their products to a county level trading company. People engaged in all sorts of work. It was a very unstable period. Well-

<sup>8</sup> Rewi Alley, *An Autobiography*, 3rd ed. (Beijing: New World Press, 1997), 161.

<sup>9</sup> Alley, *Autobiography*, 162.

<sup>10</sup> Marjorie King, *China's American Daughter: Ida Pruitt (1888 – 1985)* (Hong Kong: The Chinese University Press, 2006), 155.

connected people became cadres; others became porters or took temporary work. Some worked for the trading companies.

Many people got into trouble. We were constantly watched, even sent to labour camps. I was singled out especially, because I had attended the Bailie School in Shandan for training. This was thought to show that I had a close relationship with Goullart and I was labelled a spy.<sup>11</sup>

The speaker was imprisoned from 1954 – 1974. As the country collectivized in the mid-1950s, skilled workers, tools and equipment from the *Gung Ho* cooperatives were absorbed into the collective economy.

In 1978, a photograph in the *People's Daily* of Deng Xiaoping with Rewi Alley was a signal for individuals or their families to petition for rehabilitation. Some years later, with full government support, *Gung Ho* was revived and established its new headquarters in Beijing.

## **Research Efforts in the 1990s**

I had always intended to write a thesis in which the Lijiang 1940s *Gung Ho* cooperatives would figure prominently, and to that end I did considerable research on them in the 1990s. This research was done in conjunction with the Simon Fraser University (SFU)/Yunnan Academy of Social Sciences (YASS) joint project which is the subject of Chapters 4 and 5. In April 1992, I and another SFU team member had our first interviews with two elders (*Gonghe Laoren*) – of the 1940s *Gung Ho* cooperatives. I then continued this research with a YASS team member who was also interested. In May 1995, December 1995 – January 1996, and in April – May 1997, we interviewed as many of the still living former members of the Lijiang *Gung Ho* cooperatives as we could find. We were also eager to trace and obtain documents relating to the cooperatives. We knew that *Gung Ho* cooperatives kept accounts and wrote reports; it seemed to us that this information should still exist – surely it was only a matter of locating it.

<sup>11</sup> He Jixian, interview with author, April 13, 1992.

I will deal first with the search for documents. We had two questions: what happened to the materials that were in Peter Goullart's house at the time he left Lijiang? And what happened to the financial and other reports – such as contracts, loan records – which must have been regularly submitted to higher levels of the *Gung Ho* organization?

In his book *Forgotten Kingdom*, Goullart writes his version of what happened in Lijiang following its liberation in the spring and summer of 1949. In it, he says:

One day, a group of the new officials appeared at my gate and, without much ceremony, confiscated all the machinery and tools donated by America for the benefit of our cooperatives. They also took all my accounts and receipts for the loans we had made to them. Afterwards, they proceeded to the co-operative societies themselves and confiscated their knitting and sewing machines which I had previously sold them officially on behalf of our office. I tried to find out the reason for such drastic and precipitate action. “All this belongs to the people now,” the officials said. “We are going to create our own people's co-operatives on a grand scale...”<sup>12</sup>

Some days later, Goullart at last concluded that he had to leave Lijiang, which he did by charter plane with the authorization of the new authorities on July 24<sup>th</sup> or 25<sup>th</sup>, (from his book, on which day the plane finally came is not clear) together with Joseph Rock, then visiting Lijiang. Goullart writes: “Even when packing, I took with me only my typewriter and a suitcase with my clothing and a few books. I had to abandon my library, victrola, medicines, and many other belongings....”<sup>13</sup>

When we made inquiries, our informants<sup>14</sup> told us about being present at Goullart's departure and realizing that he could not have taken any *Gung Ho* materials with him. My YASS colleague was given access to the Lijiang County Public Security Bureau (*Gong An Ju*) files kept on the members of the *Gung Ho* cooperatives who were imprisoned after 1949. She was surprised at how little there was in them – nothing that

<sup>12</sup> Peter Goullart, *Forgotten Kingdom: Eight Years in Likiang* (London: John Murray, 2002, paperback edition), 214.

<sup>13</sup> Goullart, *Forgotten Kingdom*, 215.

<sup>14</sup> He Jiazuo was the other ‘Gung Ho Elder’ we first met in 1992. He was the child of members and part-time apprentice at Lijiang's first weaving cooperative. Goullart mentions sending him to the Shandan Bailie School in December 1946, and his return to Lijiang in December 1948.

was useful to us. She also checked historical archives (*Dang'an Guan*) both in Lijiang and Kunming, with no result. Two of our informants said that it was the Political Affairs Committee of the county government that confiscated the Lijiang *Gung Ho* records for the period.<sup>15</sup> My colleague thought that the Party Secretary at the time, who was still alive and whom she knew, should have known where the records were; she was told by a Vice-Party Secretary of the time that he knew, but the Party Secretary was sick and in hospital, so she couldn't ask him. At any rate, a reliable informant told us that if this man did know where the records were, he wouldn't tell us. He had been responsible for the arrest and imprisonment of many people at the time of Liberation; under his leadership, Lijiang governance was ultra-left and many people suffered for many minor things. He probably knew where the *Gung Ho* records were but wouldn't say because they would reflect badly on him.<sup>16</sup> In the end, he died without our having had a chance to ask him.

Since I was later able to locate documents for the Lijiang *Gung Ho* cooperatives, this story is relevant only inasmuch as it speaks to a political climate that persisted in Lijiang in some quarters, causing us difficulties, right into the 1990s.

Then there is the matter of whether and where Goullart and his staff were actually sending regular reports. In Lijiang in the 1990s, opinion was divided on the subject of Goullart. We talked to people who saw him as devoted to the cooperatives and described hearing the constant clacking of his typewriter keys as he worked on *Gung Ho* paperwork; others felt that the Daoist aspect of his character predominated and that he spent most of his time in the temples and wine houses of Lijiang. This view is given some credence by Goullart's book about the period of his life spent in Lijiang *Forgotten Kingdom*, which devotes much space to matters other than the cooperatives. There is also the fact that Lijiang, in those days, was a wild and remote place, almost impossible to reach. In *Gung Ho* lore circulating among ICCIC members currently, it is considered that Goullart was sent to Lijiang deliberately to get rid of him, and that no one had much interest in what

<sup>15</sup> He Jixian and He Jiazuo, interviews with author, April 13, 1992.

<sup>16</sup> Research colleague, conversation with author, May 21, 1995.

might happen either to him or to cooperatives there. Goullart himself endorses this story, but, as we shall see, only as it applies to the initial decision to send him to Lijiang.

The peripheral nature of the Lijiang cooperatives vis a vis the *Gung Ho* central organization was given strong corroboration by Lu Wanru, Rewi Alley's secretary for a long and crucial period of his life and a central figure in the revival of the *Gung Ho* organizations (CIC and ICCIC) in the 1980s. She told me that she had never seen any materials on the Lijiang *Gung Ho* cooperatives and knew nothing about them, other than that they and Goullart existed. With her help, in the summer of 1996, I was able to go through that portion of Rewi's papers and correspondence still stored in his home in Beijing some years after his death. It was voluminous and fascinating but little pertained to *Gung Ho* and nothing to Lijiang.

I have since discovered from other sources, however, that the central organization in the 1940s is known to have had a bias towards the *Gung Ho* cooperatives in more accessible and developed parts of the country. The Southwest region did not impinge greatly on its consciousness, which says nothing at all about the success of the cooperatives established there. Nor does the fact that this lack of knowledge has persisted into the present.

Despite the fact that our research in the 1990s did not yield a great deal in terms of quantity, the best interviews we obtained are highly valuable for their insights. We conducted a few very useful interviews with subjects we interviewed on more than one occasion; for the most part, though, we had simply arrived too late. Of former participants in the 1940s cooperatives, with a few exceptions, those who had actually been members were too old to give us good information, while those young enough to give coherent interviews were usually apprentices who did not know very much. I will incorporate information from these interviews below, where relevant, and eventually deal with them at length.

## **A Detailed Assessment of the Cooperatives**

I would now like to turn to a detailed assessment of the 1940s cooperatives. Here I want to make clear that my eventual goal is to explore how the Lijiang 1940s cooperatives actually functioned. How were they managed? How were decisions made? What did it mean to be a member? Did members participate in decision-making? And, as ‘Lijiang Depot Master’, what role did Peter Goullart play? I have various statements from interviews and in documents outlining how this was expected to take place theoretically; what I want to know is how it worked in practice.

This chapter and the next one should be viewed as representing an interrogation of the 1940s materials from the perspective of the 1990s cooperatives to be dealt with in Chapters 4 and 5. The questions that interest me here are the ones that will be seen to preoccupy us during this later period. Chief among them is the question of the extent to which cooperative management in either period involved equal, participative relationships among members.

It is first necessary to understand as much about the cooperatives and Peter Goullart as possible. Fortunately, there is full and rich information available in Goullart’s correspondence and reports as well as in his several books.

### ***Peter Goullart***

Peter Goullart was born in Moscow on June 17, 1902. His father died when he was two years old, and his mother was the central influence in his life. He attributes his early interest in China, Mongolia and Tibet to tales told him as a child by his maternal grandmother, wife and daughter of famous merchants who ranged through these regions as traders.<sup>17</sup> Fleeing from the Russian revolution, Goullart and his mother eventually made their way to Shanghai, where his mother died in 1924. He says, “I thought I could not survive her passing.”<sup>18</sup>

<sup>17</sup> Goullart, *Forgotten Kingdom*, Introduction, xi.

<sup>18</sup> Goullart, *Forgotten Kingdom*, Introduction, xii.

## ***Goullart's Daoist Beliefs***

At this point, I wish to briefly consider Goullart's Daoist beliefs, which, in my view, crucially affected his life and work in Lijiang. Goullart's first exposure to Daoism occurred during this period of deep grief over his mother's death, through an accidental meeting with a Daoist monk at Hangzhou's West Lake. He writes of that meeting:

Our friendship was spontaneous for I was already acquainted with the Chinese language and he took me to his monastery situated on a peak a few miles from town. There my friend ministered to me as if I were his dearest brother and the Grand Abbot received me with wonderful understanding. With their guidance I found peace, as though by magic, and my heart seemed to heal.

From 1924 to 1939, while living in Shanghai, Goullart continued to visit the monastery. He worked as an expert in Chinese antiques, jade, and tea until, in 1931, he joined American Express as a "Tour Conductor escorting a wide variety of clients throughout China, Japan and Indo-China." He comments that, being young, he might have been expected to revel in the "brilliant lights" of Shanghai, but it was precisely because of "the extreme gaiety of Shanghai night life, which was an important feature of any tour, that I had to retire to such a refuge to restore my equilibrium and to regain my composure and strength." He also traveled extensively on his own during those years and "always stayed in Taoist monasteries through the introduction of my West Lake friend."<sup>19</sup>

As regards Daoist theory, Goullart espoused two "higher" schools of Daoist thought:

...the Lungmen Church with its sublime teaching of Lao Tzu, practised in all its purity, and the second church of Cheng-I Taoism which specializes in the knowledge of nature and man's relation with the world of spirits. Much of what is best in Chinese civilization and the character of the Chinese people is entirely due to the philosophy and teaching of these two churches.

The higher Taoism buttressed by the written teachings of Lao Tzu and Chuan Tzu, conceives the universe as a product of Tao, which means the Universal Mind, independent of the being itself, of space and of time: in other words a conception of God...

<sup>19</sup> Goullart, *Forgotten Kingdom*, xii–xiii.

Lao Tzu, in his teaching, does not specifically mention Earth or its affairs: he simply and unequivocally states that the Universe is the product of Tao (Great Mind) which, by the power of its Will, brought forms out of the formless, differentiated them by the flow of numbers and series, and activated life by the eternal rhythm of Yang and Yin which made all things and events in space and time relative to each other.<sup>20</sup>

It is in the context of describing an incident that occurred many years later at a Lijiang Tibetan lamasery that Goullart further elucidates his Daoist beliefs. He was present at a ceremony to celebrate the emergence of a group of young lamas, secluded in a hermitage for a three-year period of meditation and study.

Expecting a group of ascetic and emaciated young men worn down by lack of food and the severity of their mystic exercises, I was confronted with bright-eyed, well-fed men in resplendent vestments who laughed and chatted and pressed us to eat and to drink, while themselves setting a good example...The food was superb and the wine still better...<sup>21</sup>

Goullart notes that, like this particular Tibetan hermitage, some Daoist hermitages also believed in providing a comparatively comfortable physical existence for monks; he compares this with “the life in certain Tibetan and Christian retreats, where the emphasis is on the mortification of the flesh.”

...The problem of man was understood better at this hermitage. Man is not only a spirit: he has his physical nature as well. It is not by the destruction of one aspect of his being by the other that he fulfils his existence. It is by a harmony of the two that he becomes perfect...<sup>22</sup>

As regards Goullart’s working life, as illuminating as his philosophical views are glimpses he provides of how his Daoist beliefs guide him in practical ways. He writes:

...I was now armed with some experience and to this I resolved to add the practice of all the precepts and advice I had imbibed during my long stay at the great Taoistic monastery near West Lake...<sup>23</sup>

<sup>20</sup> Goullart, *Forgotten Kingdom*, 140–141.

<sup>21</sup> Goullart, *Forgotten Kingdom*, 138.

<sup>22</sup> Goullart, *Forgotten Kingdom*, 139.

<sup>23</sup> Goullart, *Forgotten Kingdom*, xvii.



He speaks more specifically of these Daoist precepts in describing work-related difficulties encountered by other foreigners:

...They did not recognize the moments when it was more advantageous to slow down rather than to push; to keep quiet rather than to talk. Instead of adjusting certain irregularities adroitly, they ploughed straight through them...as Taoism had taught me, it would be important to practice Inaction...this does not mean passivity and absence of all action and initiative. It actually means an active participation in life, but going along with its stream rather than battling against it foolishly...Many an obstruction which might cause a casualty can be circumvented...Taoism teaches that a man who does not quarrel has no one to quarrel with him. Another useful maxim, 'A man who does not climb does not fall', does not really discourage advancement but implies that one should proceed carefully and circumspectly, step by step. My guru taught me that it is no good climbing a shaky ladder in a hurry; a man's position must be built thoughtfully and slowly to ensure permanency, success, and respect...<sup>24</sup>

To me, Goullart's Daoist views, both his philosophical perspective, which emphasizes equally the spiritual and the physical, and the practical precepts he derives from it, are central to explaining his successful negotiation of the subtle intricacies of Lijiang life. In his own summation of his work, Goullart has this to say:

My happiness in Likiang did not spring only from an idle enjoyment of the flowers and their scent, of the brilliance of ever-changing snow peaks and of a succession of feasts. Neither was it in the absorption in my work with co-operatives or in service to the sick and poor. It was in an even balancing of these two aspects of life...<sup>25</sup>

Through his years in Shanghai, Goullart nursed a strong desire to go to West China, "to live in that remote Tibetan country so little known to the Chinese and foreigners...But how? I could not go there during war-time on my own. Then suddenly came the offer to join the Chinese Industrial Cooperatives."<sup>26</sup> Unfortunately, Goullart does not elaborate, and I have found no further information as to how or why the offer was made.

<sup>24</sup> Goullart, *Forgotten Kingdom*, xviii.

<sup>25</sup> Goullart, *Forgotten Kingdom*, 211.

<sup>26</sup> Goullart, *Forgotten Kingdom*, Introduction, xiv.

## *His First Gung Ho Posting*

His first posting for *Gung Ho* was apparently what later caused Goullart difficulty. In 1939, in Chungking (Chongqing), he picked up the paperwork appointing him as *Gung Ho* “Depot Master of Kangting, capital of Sikang.”<sup>27</sup> However, Goullart’s two years in Sikang did not go well, and eventually he had to be rescued by Dr. H.H. Kung, Finance Minister and President of the Chinese Industrial Cooperatives, from the corrupt Sikang provincial government which accused him of being variously “a Japanese spy, Stalin’s spy, Hitler’s agent, and, at last, a secret inspector of the Central Government.”<sup>28</sup> Goullart’s ineptitude at dealing with complex local relationships had annoyed and embarrassed H.H. Kung, who, Goullart says, viewed him as “another stupid European who added to the friction between the powerful Sikang Provincial Government and the weak Central Government, which the latter was trying to avoid at the critical period through which the whole country was passing.”<sup>29</sup>

At the end of a testy interview in Chungking with H.H. Kung, Goullart requested assignment to Likiang (Lijiang); though he had never been there, he had heard about it and thought he would like it. Eventually, he was sent to work at the Yunnan Cooperative Headquarters in Kunming, from which he made a survey trip that, on his initiative, included Lijiang. He says that he “saw at once that this was the place for promoting co-operatives...”<sup>30</sup> He made his report, and finally, and quite suddenly, H.H. Kung appointed him ‘Depot Master of Likiang’. But, he says, “I was packed off in a hurry and without the least ceremony...It looked more like an exile than an appointment...I was willing to bet that somebody higher up was trying to get rid of me.”<sup>31</sup> “That crazy foreigner” could conveniently be sent to “that strange, inhospitable, and dangerous, country”; deprived of support, he would probably fail, and a further failure would end his career with *Gung*

<sup>27</sup> Goullart, *Forgotten Kingdom*, Introduction, xv.  
This area was a province of the Republic of China, comprising most of the Kham region of traditional Tibet, now divided between the Tibetan Autonomous Region and Sichuan province.

<sup>28</sup> Goullart, *Forgotten Kingdom*, Introduction, xv.

<sup>29</sup> Goullart, *Forgotten Kingdom*, Introduction, xvi.

<sup>30</sup> Goullart, *Forgotten Kingdom*, Introduction, xvi.

*Ho*.<sup>32</sup> The “higher up” person Goullart suspected of holding these views was his immediate superior; H.H. Kung had, he felt, some grudgingly kind feelings towards him.

Significantly, Goullart feels, it had not proved possible to find anyone Chinese who was willing to be posted to Lijiang.

They gave many reasons for their reluctance to work there. The place was too remote. It was, so to speak, outside China, the ‘Outer Darkness’, a no-man’s land lost in the sea of barbarous tribes who did not even speak Chinese...<sup>33</sup>

And he notes his position as a foreigner within *Gung Ho*, a factor with which we would also have to contend:

I was now one of the last of a small group of foreigners who tried to work in an executive capacity in the field with the Chinese Industrial Cooperatives. All of them, but myself, had left of their own free will or had been outmanoeuvred into giving up. They were honest, idealistic, energetic and genuinely devoted to their work. They all spoke good Chinese: but they had not learned enough of the nature and mentality of the Chinese to adapt their methods...<sup>34</sup>

### ***Why Lijiang?***

In several of his reports, Goullart outlines and reiterates his reasons for the suitability of Lijiang as a centre for *Gung Ho* development in the Southwest. “The Likiang Hsien (Lijiang County) is one of the largest and most populous in Yunnan Province.” There is only an estimate of its population, since there has never been a census – around three million people – with a Likiang city population of “more than 100,000.”<sup>35</sup>

<sup>31</sup> Goullart, *Forgotten Kingdom*, Introduction, xvi–xvii.

<sup>32</sup> Goullart, *Forgotten Kingdom*, Introduction, xvii.

<sup>33</sup> Goullart, *Forgotten Kingdom*, Introduction, xvii.

<sup>34</sup> Goullart, *Forgotten Kingdom*, Introduction, xvii–xviii.

<sup>35</sup> Report on Likiang Cooperatives, September, 1945, INDUSCO Files, 1938–1952, Box 16, *INDUSCO: CIC Correspondence; Fitch, George - Goullart, Peter*, Folders 18–22, Rare Book and Manuscript Library, Special Collections, Columbia University, New York.

There is an abundance of natural resources, which he lists. Without reproducing his list, it is clear that the resources for the several kinds of cooperatives later formed in Lijiang are all there – wool, hemp, silk and cotton; many minerals, of which copper and iron are mined; porcelain clay, marble, hides, lumber, bamboo, tobacco, pig bristles, alcohol (Goullart adds “in quantity”), cattle, horses and mules, water power – and much more.<sup>36</sup>

Labour, he says, is plentiful. Most interesting, and very significant for our later 1990s experience with cooperatives in Lijiang, Goullart carefully assesses the potential market for goods produced there.

### ***Caravan Routes and Markets***

Lijiang is 160 miles by caravan trail from Hsiakwan (Xiaguan); Xiaguan is 250 miles from Kunming on the Burma Road.<sup>37</sup>

Crucially, Lijiang is well connected in terms of transportation routes with a vast area in which there is virtually no industry. At the time of Goullart’s survey, there was traffic in goods between Lijiang, Kunming, and Paoshan (Baoshan) via Xiaguan. Tengchung (Tengchong) bought Lijiang knitting yarn and wool cloth. Goods were carried via a caravan route from Lijiang to Weili in Sikang, taking seven to ten days, and on to Chungking (Chongqing) by motor road. There were also caravan routes “from Likiang to Kangting via Muli Kingdom; to Litang and to Batang and Lhasa.”<sup>38</sup> (Kangting, Muli and Litang are in present-day Sichuan.) “Caravan communication,” he reported, “although slow, is extremely dependable and regular...”<sup>39</sup>

<sup>36</sup> Report on Likiang Cooperatives, September 1945, INDUSCO Files, Box 16.

<sup>37</sup> Goullart, *Forgotten Kingdom*, 2.

<sup>38</sup> Peter Goullart, Report on Likiang, undated, but prior to setting up the Likiang Depot, INDUSCO Files, Box 16.

<sup>39</sup> Report on CIC Likiang, December 31, 1946, INDUSCO Files, Box 16.

There was “considerable” trade with Tibet.<sup>40</sup> Even before Goullart established his depot, goods such as Lijiang’s Tibetan-style boots, hand-woven narrow cloth, and other traditional Lijiang products were much in demand in Tibet, due to the similarity in cultures. This goods traffic involved a caravan route from Lijiang to Sadiya (in Assam, India) via Lhasa.<sup>41</sup> And, in Goullart’s view, there was no potential competition. “Owing to the great distance and cost of transportation, neither Shanghai or Calcutta will ever be able to undersell Likiang’s local products.”<sup>42</sup>

In his survey, he reports:

an existing mule and yak caravan service, run by the Tibetans, from Likiang to Sadiya via Chungdien, Atunze, Chaiyu, Mengko, and vice versa. I understand that the mule caravans do not actually come to Sadiya, as the Tibetans cannot stand the heat, but the goods are delivered to Chaiyu, from Sadiya, by Indian porters and there picked up by the mule and yak caravans. I understand it takes from 5 to 6 weeks from Sadiya to Likiang, with several days’ rest for animals and men at some convenient places.<sup>43</sup>

Elsewhere, he writes of the extreme arduousness of this route:

There is no road, only a trail climbing and twisting up and down the steep mountains through dark rocky gorges, fording roaring glacier streams, sometimes wading in mud in tricky mountain bogs...mules and horses arrive at their destination exhausted and with hooves cut to pieces, and it takes a long time for them to recuperate.<sup>44</sup>

As we would later discover, even the Burma Road, traveled by motorized transport, had its perils:

The prospect of travelling on the Burma Road used to fill me with dread. This great highway, though marvellously constructed, well-kept, and extremely picturesque, has been a notorious killer...I can never forget the sight of countless heavy trucks lying at the bottom of deep ravines,

<sup>40</sup> Report on Likiang Cooperatives, September 1945, INDUSCO Files, Box 16.

<sup>41</sup> Report on Likiang Cooperatives, September 1945, INDUSCO Files, Box 16.

<sup>42</sup> Report on Likiang Cooperatives, September 1945, INDUSCO Files, Box 16.

<sup>43</sup> Report on Likiang, undated, INDUSCO Files, Box 16.

<sup>44</sup> Goullart, *Forgotten Kingdom*, 12.

smashed beyond salvage...Countless were the hazards this road held for the traveler, quite apart from the ever-present menace of bandits...<sup>45</sup>

### *A Gung Ho Transportation Cooperative?*

So enthusiastic is Goullart over the significance of the caravan routes to the future of industrial cooperatives in Lijiang that, as an appendix to his survey report, he suggests that the CIC Headquarters itself should consider forming a caravan transportation cooperative. He recommends the purchase of 2,000 to 3,000 mules, which could be divided into several caravans of 500 animals each. From India, they could carry materials essential to the war effort; on the journey from Lijiang, they should carry “tea and other goods suitable for the Lhasa and Indian markets.”<sup>46</sup>

Touchingly, because it reveals the large gulf between Goullart’s interests and perceptions and those of his superiors, he adds:

I already have in view several persons in Likiang who would be able to assist me in forming such a caravan transportation. I also have a few important Tibetan connections, a certain knowledge of Tibetan customs, of the country and the spoken and written language.

Perhaps the Government would like to send a small investigation party all the way to Sadiya. I would like to be included, as I can stand better than anybody the hardships of high altitudes, snow-covered passes and poor Tibetan food. And the Tibetans rather like my personality and manners. That may be important.<sup>47</sup>

But though they may not have met with Headquarters’ understanding or approval, Goullart’s views on this matter were proved percipient when, in 1943, diplomatic agreements officially cleared the way for supplies from India, other than military supplies, to be sent to China via Tibet by securing the agreement of the Tibetan government for the goods to transit their territory.<sup>48</sup>

<sup>45</sup> Goullart, *Forgotten Kingdom*, 1.

<sup>46</sup> Report on Likiang, undated, Appendix II, INDUSCO Files, Box 16.

<sup>47</sup> Report on Likiang, undated, Appendix II, INDUSCO Files, Box 16.

<sup>48</sup> From the British Press Attaché’s Bulletin of Wednesday May 12, 1943, page 3, INDUSCO Files, Box 16.

In April 1943, Goullart writes:

The traffic at present is very great. Over one thousand mule loads are on their way here...Hordes of Kunming merchants are here, buying up goods and sending them on to Kunming where prices are sky high...<sup>49</sup>

### ***The New Likiang Depot***

His report must have been considered persuasive in other respects, however. Though CIC, according to Goullart, had initially had other locations (Paoshan or Tengyueh) in mind,<sup>50</sup> Peter Goullart arrived in Lijiang with his appointment as Depot Master in April 1942. This fact is noted in a letter from John B. Foster of CIC's Southwest Headquarters, Kunming, to Ida Pruitt, INDUSCO Inc., New York.<sup>51</sup>

We are planning soon to open a new depot in Likiang with funds sent by your committee from America. This is an important place in north-west Yunnan, north of Tali, rich in hitherto unexploited natural resources, and on a mule route to Sadiya in India. The depot master will be Mr. Peter Goullart, assigned to our region by the Central Office in Chungking.<sup>52</sup>

### ***Accommodation and Staff***

Goullart's first hurdle is renting suitable quarters for his depot and for himself, not an easy task. Lijiang is crowded, housing is in short supply, and Goullart feels he needs a whole courtyard house.<sup>53</sup> Also, as Goullart is somewhat surprised to find, while greeted warmly as a guest on his survey trip, Lijiang people are not as welcoming when faced with an outsider, a foreigner, who proposes to become a long-term resident. He comments that: "They especially distrusted all Government officials coming from the

<sup>49</sup> Peter Goullart, letter to Rewi Alley, April 16, 1943, INDUSCO Files, Box 16.

<sup>50</sup> Goullart, *Forgotten Kingdom*, Introduction, xvi.

<sup>51</sup> Report on CIC Likiang, February 1, 1947, INDUSCO Files, Box 16.

<sup>52</sup> John B. Foster, CIC Yunnan-Kweichow Headquarters, Kunming, letter to Ida Pruitt, February 7, 1942, INDUSCO Files, 1938 – 1952, Box 67 *INDUSCO: CIC Subject and Organizations File: Regional Areas of Work: Southwest Headquarters Area (SWHQ) 1939 – Others (Hopei) 1947 – 1948*, Folders 10, 13–15, 16–18, 22–27, 29, 30, Rare Book and Manuscript Library, Special Collections, Columbia University, New York.

<sup>53</sup> Goullart, *Forgotten Kingdom*, 13–15.

capital, Chungking, as I did.”<sup>54</sup> However, Goullart had learned much from his past trials in Sikang and, I believe, through his exposure to Daoism. I have gradually become convinced, and I will argue in what follows, that Goullart incorporated both of the views 1990s Lijiang people had of him: he was both the man who sat upstairs conscientiously typing *Gung Ho* reports and the man who joyously frequented the wine shops of Likiang. Further, it was, in my view, this combination of traits that allowed him to be successful – which he was – in a very difficult and challenging, if captivating, environment.

Goullart’s solution to his accommodation problem provides an initial, typical example. Finally locating a suitable house but one that the Naxi consider haunted, he obtains a long lease at a reasonable price from its disreputable owner – the ghosts are said to be those of two men she poisoned – by threatening her with his official status on the one hand, and, on the other, promising to use his Daoist abilities to gradually rid the house of “its ghosts and evil influences.”<sup>55</sup> It is the romantic eccentric in Goullart, I believe, that inspires him to make – and relish – this proposal. At the same time, as businessman and cooperator, he has secured exactly the premises he needs, with a general office on the ground floor and a private office and bedroom above.<sup>56</sup> Two months after his arrival in Lijiang, in June 1942, the depot is officially opened.<sup>57</sup>

Staffing is a further difficulty. Requiring a Chief Clerk for his office, Goullart interviews and tries out a succession of applicants who prove unsuitable. Few people in Lijiang, even high school teachers and secretaries in government offices, had the requisite proficiency in reading and writing Chinese characters. Not many people spoke Chinese. Finally, he hires a prince of the Mu clan, Lijiang’s most illustrious family, a cousin of the Mu king. This man does not seem to appear in Goullart’s reports to his Headquarters, yet he notes that the Mu prince “remained with us until my departure from Likiang.”<sup>58</sup>

<sup>54</sup> Goullart, *Forgotten Kingdom*, 26–27.

<sup>55</sup> Goullart, *Forgotten Kingdom*, 13–15.

<sup>56</sup> Goullart, *Forgotten Kingdom*, 15–16.

<sup>57</sup> Report CIC Likiang, February 1, 1947, INDUSCO Files, Box 16.

<sup>58</sup> Goullart, *Forgotten Kingdom*, 23.



Though an incurable opium addict, guilty of unremitting absenteeism and attempts at petty theft even from the office and the cooperatives, Goullart says of him:

Yet I could not dismiss him: I tried, but found it impossible for he was indispensable. His presentation of the accounts and his reports in Chinese for my Head Office were perfect, for he was a brilliant writer of Chinese official documents and knew all official usages and approaches.<sup>59</sup>

Again, in my view, this is not a solution that would have been tolerable to other *Gung Ho* depot masters – certainly not to Goullart’s superiors, had they known. But it is the kind of decision – rather Daoist – that allowed him to thrive in Lijiang.

### ***Winning Acceptance among the Neighbours***

Goullart is wise enough to know that his next step must be overcoming the suspicion with which the Lijiang Naxi apparently regard him. With his immediate neighbours, Goullart writes, it is his cook who is their unwitting saviour. Having accompanied Goullart on a hazardous journey from a civilized life in Shanghai to this wild and barbarous region, his naturally outgoing personality soon has him visiting nearby households with small gifts of food while chattering constantly in a dialect of Chinese that the local people, while charmed by his warmth, largely fail to understand. Return visits begin, and Goullart remarks that, after a few weeks, he started to feel at home.

Neighbours began to drop in for a light for their kitchens in the morning, to borrow this and that or simply out of curiosity. Afterwards, they would bring some peaches from their gardens or a few potatoes, a bunch of wild flowers or a rose. Soon we felt we knew all about them and they about us and our doings. At last, we felt we belonged, at least, in Wutou village.<sup>60</sup>

### ***Moving into the Larger Community***

But how could this mutual good feeling be extended into the larger community?

Goullart writes:

<sup>59</sup> Goullart, *Forgotten Kingdom*, 23.

<sup>60</sup> Goullart, *Forgotten Kingdom*, 28-29.

Having entrenched ourselves in our own village, I was now determined to overcome the suspicions of the other Nakhi, and also other tribes, to make them see the value of my mission and my work, and to win their friendship. It was not the Likiang society of rich merchants and shopkeepers that I needed, but the hearts of villagers and ordinary folk who eked out their living by small industries and trade. It was only through their friendship and goodwill, I thought, that I could build up my work and carry out my duty to the Government which had sent me...<sup>61</sup>

### ***Goullart's View of Lijiang***

Here, I think Goullart was assisted by his delight in every detail of the colourful pageant that Lijiang and its people represented to him. This is a description of Lijiang that Goullart wrote to a member of the CIC International Committee in New York:

As regards Likiang, you must see it to appreciate what it is. There is no comparable place in other parts of China. It is absolutely unique in every respect. It is the nearest possible approach to James Hilton's conception of Shangri La. Whereas, in the Bulletin you enclosed, Sandan is described as "a very old, quiet town, walled, full of temples," Likiang is the very antithesis of all that. It is not walled. It is not quiet. It is one of the busiest cities in the world. It is so active, and all the activity is so closely integrated, that, to me, it is a constant impression of witnessing not the real life but some fantastic "ballet russe." From morning till night, its narrow streets are jammed with the Tibetans, in most extravagant of costumes, and 101 other tribes. Wonderful caravans converge on the city hourly from five directions. Society women, in gorgeous dresses, proceed to dances and fests in crowds. Men, clad all in skins, walk through the streets, playing bagpipes and flutes out of pure gladness of heart. Towards sunset, bars and cafes are crowded with laughing, joking countrymen and women, enjoying their cocktails of honey wine. Music is heard everywhere. And all this against deep blue sky, perpetual sunshine and sparkling snow peaks. And (at this season), the scent of roses is everywhere. There are forty varieties of wild roses alone here and they fairly smother the city...<sup>62</sup>

Goullart's curiosity, his humour, his kindness, and his friendly, gregarious nature did the rest. He loved to tease and joke with the Naxi (Nakhi) and Bai (Minkia) women, from small children to the elderly. He patiently elicited the story of everyone he

<sup>61</sup> Goullart, *Forgotten Kingdom*, 52.

<sup>62</sup> Peter Goullart, letter to Elizabeth Selsbee, April 25, 1946, INDUSCO files, Box 16.

encountered, and never looked down on anyone regardless of station in life or the state of his/her finances. Every bed in Goullart's house – and space on the floors – was usually filled with people he met who seemed to need a home for a day or a week. And no invitation that he could possibly accept was ever refused. He would journey for days to have a meal at the home of a family wishing to reciprocate his hospitality or express gratitude for his help.

Looking back on his experiences in Lijiang several years after his departure, Goullart concluded: "From Hsiakwan to the kingdom of Muli far in the north, and from Lhasa in the west, to Yuenpei in the east, I gained hundreds, and perhaps thousands of friends and well-wishers."<sup>63</sup>

### ***A Different View...***

These perceptions and attitudes, this behaviour of Goullart's was, to my mind, quite unusual. It is interesting, for example, to compare them with those expressed by one of his few foreign visitors during those years:

...After twelve years as a doctor in China I was still surprised to find a region of such backwardness. It is like living 2000 years ago. The wind blows through the wooden walls, paper windows and roofs of primitive houses; small charcoal fires try to supply some heating and tiny oil lamps fight against darkness and wind.

The people are in harmony with their surroundings. They seem to suffer from hydrophobia, at least they never wash. There is not a single bathtub in the whole county. When they get up in the morning, they take some water in the mouth, spit it into the cupped hands and thus wash the face. Believe it or not!! The rest of the body has to miss all this attempt at cleanliness. Their skin is just black from dirt. The worst are their feet. They walk without socks in cotton or leather shoes and the road dust of weeks encrusts their feet. Consequently skin diseases are universal...<sup>64</sup>

<sup>63</sup> Goullart, *Forgotten Kingdom*, 52.

<sup>64</sup> Dr. Heinz Breitkreuz, Medical Report on Likiang, March 7, 1949, INDUSCO Files, Box 16.

## *Goullart's Strategy*

### **The Wine Shops**

But, in addition to having an outlook conducive to establishing himself in Lijiang, I believe that Goullart was especially astute in his strategy. He did, after all, need appropriate ways of meeting people. These, in my view, were two: his patronage of the wine shops, and his clinic.

In early readings of *Forgotten Kingdom*, I failed to take Goullart's discussion of the wine shops seriously. It seemed to me that frequenting wine shops was a traditional Daoist pastime, part of Goullart's recreational enjoyment of Lijiang. Instead, I came to realize that Goullart's almost daily visits to three different wine shops, and his slow, patient cultivation of their female proprietors, were carefully calculated.

As Goullart explains:

...Old friends could be seen and invited for a drink or new acquaintances made. Any stranger could be waved to and asked to share a jar of wine, without ceremony of introduction, and I was sometimes stopped in the street by total strangers and offered a cigarette or a drink...<sup>65</sup>

...every lady wine-shop owner was a Bureau of Information par excellence. She knew the *curriculum vitae* of everybody within a radius of a hundred miles and I doubt whether there ever existed a secret in Likiang that was not known to her...

...The success of my integration into the life of Likiang and of my work is largely due to the sensible advice and infallible information supplied to me by these women. Had it not been for their vigilance and timely warnings, I would have made many blunders which might have led to my downfall. Every day at their shops added a valuable page to my experience and knowledge of this difficult region and its people...<sup>66</sup>

There was also a strategic reason for Goullart's attending three wine shops rather than one: the clientele of each was very different.

Madame Lee's Main Street wine shop had wealthy and influential customers, as well as more ordinary people. There, Madame Lee both steered Goullart away from

<sup>65</sup> Goullart, *Forgotten Kingdom*, 36.

friendships she thought were mistaken and introduced him to people she thought he should know. He says: "...At first I was sceptical of her judgement, but later on I learned to value her opinion very highly..."<sup>67</sup>

Madame Yang's wine shop was a much humbler establishment, and at first Madame Yang was not happy to have Goullart there, thinking that it was not good enough for him and that his presence might intimidate her customers. Goullart says:

...After a couple of weeks, however, everybody got used to me and I became a feature of the place...<sup>68</sup>

...She specialized in catering to the poorest and most primitive tribes who lived in far mountain villages and hamlets, in Lotien and along the little-known Yangtze tributaries. She knew all the Boa, Chungchia and Miao, White Lolos and Lissu...I liked Madame Yang's bar more than any other wine-shop in Likiang because here I was in the very midst of the drama of the helpless and declining tribes and could watch their hopes and disappointments, and, perhaps, help a little in an unobtrusive way...<sup>69</sup>

Madame Ho's wine shop was in the Tibetan quarter of Lijiang, "high-class and exclusive in the sense that she catered mostly to the Tibetan trade."<sup>70</sup> Her home was one of the most palatial in the quarter; two of her sons managed a prosperous import-export company in Lhasa. Goullart says:

She had taken me early under her wing and afterwards assisted me to solve many of my problems....She showered me with gifts, sometimes a cut of ham or a pot of specially-brewed wine or some new cabbages...I repaid her with free medical advice for her children or with seedlings of American flowers or vegetables...

...The best time to go to Madame Ho's bar was after dinner. It was then crowded with the Tibetan merchants who stayed at her house. She always made a point of introducing me to them...<sup>71</sup>

<sup>66</sup> Goullart, *Forgotten Kingdom*, 33–34.

<sup>67</sup> Goullart, *Forgotten Kingdom*, 37–38.

<sup>68</sup> Goullart, *Forgotten Kingdom*, 40.

<sup>69</sup> Goullart, *Forgotten Kingdom*, 40.

<sup>70</sup> Goullart, *Forgotten Kingdom*, 46.

<sup>71</sup> Goullart, *Forgotten Kingdom*, 46–47.

Perhaps even more than his chance encounters in the wine shops, it was Goullart's work in his clinic that brought him to the attention of the Lijiang and village men and women who were potential members of cooperatives.

### **The Clinic**

It was part of the responsibility of each *Gung Ho* Depot Master to operate a clinic providing free medical care to cooperative members and others in need. This was seen as useful in helping to promote the cooperative movement.<sup>72</sup> I would surmise, however, that Goullart was unique in the seriousness with which he took this particular *Gung Ho* task, and, accordingly, that its usefulness in spreading knowledge of his cooperative work was also substantially greater. Goullart writes: "Having previously qualified as a doctor's assistant myself, I obtained from the American Red Cross in Kunming a small supply of drugs and medicines and my private office upstairs became also my clinic."<sup>73</sup>

Each of Goullart's reports and many of his letters contain mention of his clinic. With communication and transportation taking so long, Goullart's biggest problem is obtaining medicines, especially since it is not within CIC budgets to pay for them. Not surprisingly, pleas that medicines should be obtained and inquiries as to why shipments have not yet arrived fill his correspondence.

Having spread the word that he was available to treat common, simple illnesses not requiring surgical intervention, Goullart soon had a steady stream of patients, often as many as fifty per day, "day in and day out, year after year."<sup>74</sup> The illnesses people suffered from *were* both common and simple – such things as conjunctivitis due to dust and smoke, trachoma, scabies, small wounds and sores, dysentery, goitre, venereal diseases – this latter, Goullart says, not common among the Naxi who were strict about marriage obligations, but prevalent among some of the other ethnic groups.<sup>75</sup>

<sup>72</sup> Goullart, *Forgotten Kingdom*, 68.

<sup>73</sup> Goullart, *Forgotten Kingdom*, 68.

<sup>74</sup> Goullart, *Forgotten Kingdom*, 75.

<sup>75</sup> Goullart, *Forgotten Kingdom*, 74.

One account of his clinic activities reveals Goullart's unusual zealousness in providing treatments that would work. He has just explained that he had come to realize that, to the Naxi, a medical treatment couldn't possibly be considered efficacious if it didn't cause them pain in the process.<sup>76</sup>

...men came in an endless procession with their thighs and buttocks covered with scabies. They were so thick that they looked like fish scales. I had a big stock of sulphur ointment for this affliction, and at first I used to give them small pots of it, telling them to rub it in at night. In a week or two they used to come back, complaining that the ointment was no good at all. Indeed, the awful scabs were still there. I had to change my tactics. With their pants down, I threw them on a low broad bench, face down, and rubbed them with all my might with powdered sulphur and vaseline, adding a pinch here and there as required. I rubbed until all the scabs were on the floor in little heaps, and the raw and bleeding flesh was clear. Then I rubbed some more sulphur in. The victims screamed and groaned, and staggered home barely able to walk. After two or three such treatments their skin was as clear as that of a new-born babe. Of course, they were overjoyed and did not know how to thank me. It was hard and dirty work and I could not handle more than five such patients a day, so exhausting was it.<sup>77</sup>

Apart from these minor illnesses, there were other diseases as well, which Goullart says he tried his best to diagnose and treated as he could. He did not attend childbirths, since he had no experience, and he adds: "All the time I was extremely careful and I would have been murdered if one of my patients had died."<sup>78</sup>

In Dr. Heinz Breitkreuz's 'Medical Report on Likiang', written in 1949, he writes: "Mr. Goullart, the Depot Master of CIC, combining eight years of own experience with the knowledge he acquired during my three months' stay here is able to do now anything what modern medicine can do in such an out-of-the-world place."<sup>79</sup>

<sup>76</sup> Goullart, *Forgotten Kingdom*, 69.

<sup>77</sup> Goullart, *Forgotten Kingdom*, 69-70.

<sup>78</sup> Goullart, *Forgotten Kingdom*, 75.

<sup>79</sup> Dr. Heinz Breitkreuz, Medical Report on Likiang, March 7, 1949, INDUSCO Files, Box 16.

Summing up his clinic work, Goullart comments: “The clinic made me acquaintances far and wide, and a number of pleasant and enduring friendships developed.”<sup>80</sup>

## Goullart as Writer

Before turning to the subject of the cooperatives themselves, I want to briefly examine the matter of Goullart as writer, since this was of much interest to Goullart and is an issue when attempting to consider his work.

One of Goullart’s most devoted correspondents was Elizabeth Selsbee, the New York INDUSCO office staff member responsible for the publicity and publication work that underlay the International Committee’s fund-raising efforts. In February 1946, she writes that she has been remiss in not thanking Goullart for his letters and reports. She should have written before to tell him how good it is to work with his material. She has just finished a comprehensive report on the Likiang cooperatives using his letters, requests and reports. She adds: “Your descriptions of the Likiang area make it sound like the most attractive place possible.” She then asks if it would be possible for him to write some articles for their use.<sup>81</sup>

By the fall of 1946, Ms. Selsbee is thanking Goullart for two articles they have just received from him: “Horse Fair at Likiang” and “The Most Picturesque CIC Depot” which she plans to put into their *Bulletin*. She goes on to say, “You are turning us all into Likiang ‘fans’. I am sure that if we took a poll here in the office, we would find that everyone considers Likiang the outstanding beauty spot in the world.”<sup>82</sup>

In the spring of 1947, she notes that Goullart has sent her some “very good short stories.”

<sup>80</sup> Goullart, *Forgotten Kingdom*, 75.

<sup>81</sup> Elizabeth Selsbee, letter to Peter Goullart, February 1, 1946, INDUSCO Files, Box 16.

<sup>82</sup> Elizabeth Selsbee, letter to Peter Goullart, November 22, 1946, INDUSCO Files, Box 16.



We have asked a friend of ours to weave some of your material together, leaving as much of the original flavour as possible, with the objective of submitting this as a magazine article to one of our leading magazines. We should hear in about a week or two whether or not the article will be accepted. It is now in the hands of the New Yorker Magazine.

Whenever we run your stories in the Bulletin we get excellent response. A few weeks ago some of the Likiang stories in the Bulletin were picked up and written into a syndicated article that appeared in many newspapers. Just as soon as we get extra copies, I will mail you a few...<sup>83</sup>

However, the professional response to Goullart's articles is not so enthusiastic.

This is how Ms. Selsbee explains the problem:

We have tried several places on the Lolo story and the 'Three Years, Three Months, Three Weeks, Etc.' Everyone who has read the material agrees that it is very interesting but there is such a concentration of material that it would leave the average reader a little at a loss to fill in the details of which he knows nothing...

She then quotes an editor of the *Reader's Digest*:

I read the enclosed piece with great interest...However, I am still reluctantly obliged to tell you that in my opinion this is not an article—it is merely the backdrop for an article...Who are the Lolos? What is their background? What, in brief, was the experience of the American troops who fell among them during the war? What do they look like? Just where, geographically, do they live? How are they ruled, if at all?...

And the Editor of the *New Yorker*, Mr. Donald Berwick, had commented: "The subject matter of Mr. Goullart's piece is very interesting, but I'm afraid it's hardly usable in its present form...The average reader...would be lost in the wealth of unexplained allusions..."<sup>84</sup>

Goullart responds:

I am very grateful to you for obtaining and sending me the Reader's Digest and New Yorker's criticisms of my articles, and your valuable

<sup>83</sup> Elizabeth Selsbee, letter to Peter Goullart, March 18, 1947, INDUSCO Files, Box 16.

<sup>84</sup> Elizabeth Selsbee, letter to Peter Goullart, April 15, 1947, INDUSCO Files, Box 16.

advice. I see now where the fault lies. I will now follow strictly the indications given in my future sketches...<sup>85</sup>

And to Melvin J. Fox, Executive Director of INDUSCO, who requests that he “add to your very interesting reports a bit more factual information...,”<sup>86</sup> he writes:

As regards my articles, I thank you and your Office for your kindness in editing them and offering them to magazines. To be perfectly frank, I am not dreaming much about a writer’s glory. I am trying to contribute my modest efforts to the promotion campaign by writing these sketches...Much factual information was included in our reports but, in accordance with your suggestion, I will prepare, from time to time, special articles, containing such information, and send them along with other sketches...<sup>87</sup>

Despite this disclaimer, Goullart is eager to write successfully – not, perhaps, for glory, but for his own enjoyment, as a possible supplement to a meagre income and a provision for his old age. In November 1946, some months after she first asked if he might be able to write articles for them, he asks Elizabeth Selsbee if she might be able to sell some of his articles, “especially those articles not strictly related to our Cooperatives?” He says that he would like to build up a travel fund that would allow him to visit the U.S. where he wants to take several short courses relevant to the CIC work and also courses on writing.<sup>88</sup>

Prior to being employed by *Gung Ho*, Goullart had already written a first unpublished manuscript ‘*Portals of Nirvana*’. Having earlier entrusted it to a friend who had promised to revise it but was unable to do so, in the fall of 1947 he sends it to Elizabeth Selsbee who has expressed interest.<sup>89</sup> She attempts to place the manuscript for him, but is not successful.<sup>90</sup>

<sup>85</sup> Peter Goullart, letter to Elizabeth Selsbee, June 9, 1947, INDUSCO Files, Box 16.

<sup>86</sup> Melvin J. Fox, letter to Peter Goullart, March 28, 1947, INDUSCO Files, Box 16.

<sup>87</sup> Peter Goullart, letter to Melvin J. Fox, May 3, 1947, INDUSCO Files, Box 16.

<sup>88</sup> Peter Goullart, letter to Elizabeth Selsbee, November 5, 1946, INDUSCO Files, Box 16.

<sup>89</sup> Peter Goullart, letter to Elizabeth Selsbee, September 10, 1947, INDUSCO Files, Box 16.

<sup>90</sup> Elizabeth Selsbee, letter to Peter Goullart, March 18, 1948, INDUSCO Files, Box 16.

## **Goullart's Two Kinds of Writing about Lijiang**

I wish to return to this issue of Goullart's writing later, in the context of his reporting on the Likiang *Gung Ho* cooperatives. At present, I would simply like to point out the differences between Goullart's two kinds of writing about Lijiang, which, again reflect the dichotomy noted above, between Goullart as Daoist and Goullart as Cooperator. When I first read *Forgotten Kingdom*, I considered it valueless to a serious researcher. I was not surprised to later find that the publisher, John Murray, had reissued the book as part of its 'Travel Classics' series; that seemed an apt description of it. However, I would now argue that, carefully read, *Forgotten Kingdom* contains much useful information. Indeed, I have used it, judiciously, above to fill gaps and answer questions not covered in Goullart's correspondence and reports. The difficulty, of course, is Goullart's love of colour and embellishment and, one feels, his somewhat cavalier attitude towards mere facts. This, I think, is the basis of the various critiques of his attempts at 'writing' rather than reporting. The Goullart of his correspondence and reports is an entirely different persona. There, one has no inclination to doubt him.

In the next chapter, I will consider the very interesting issues of how Goullart was able to initiate the formation of cooperatives, how they functioned and how they were managed.

## Chapter 3.

# The 1940s *Gung Ho* Cooperatives in Lijiang: A Detailed View

## Initiating the Formation of Cooperatives

And now I would like to turn to the cooperatives. How does one initiate the formation of cooperatives? As a new *Gung Ho* Depot Master, this was Goullart's first question to himself once he had settled into Likiang society. Goullart remarks:

Of course, everybody thought that, henceforward, we should be sitting grandly behind our desks all day long expecting the prospective co-operators to call. Had we followed this line of action, or rather inaction, we might have been sitting with crossed arms for years. Instead, every morning, accompanied by one of the office clerks, I tramped to all the wool-weaving factories we could find. Slowly and with infinite pains I tried to explain to these simple people what co-operation meant and how they could enlarge their tiny factories, improve their products and become prosperous. At first they did not understand a word...Their minds could not grasp or digest all these technicalities. Day after day I persisted. When I mentioned that the loans could be given to assist in the improvement of their looms and in getting more stocks of yarns and dyes, this information seemed at last to touch a chord in the eminently practical hearts of the Nakhi women.

We saw at once where our advantage lay...It was the women who were the first to understand the idea of co-operatives and appreciate the benefits they promised. They became our most active protagonists...We knew that if we could break the ice and establish one co-operative successfully, the results would be swift in this city where gossip was more effective than any advertising...<sup>1</sup>

<sup>1</sup> Peter Goullart, *Forgotten Kingdom: Eight Years in Likiang* (London: John Murray, 2002, paperback edition), 59.

In 1992, one of our Lijiang *Gung Ho* informants described the formation of his cooperative as follows:

Four generations of my family had been weavers and dyers. We worked in the family home and had fifteen old, wooden looms. They hadn't changed in design since the Tang dynasty. We had never seen a spinning wheel. At that time, inflation was terrible and people were very poor. We had very little money and had to follow the ideas of the capitalists, who took what we produced and marketed it.

When we decided to become a co-op, Goullart gave us a small loan, with the house as security. We bought new, better looms and machines for knitting hats, socks, and sweaters. Goullart brought in a spinning wheel and it was soon copied and in use all over Lijiang. Besides our family and relatives, neighbours joined the co-operative and we had four apprentices. There were thirty members altogether.<sup>2</sup>

Goullart refers to this man as the Nakhi student Hochiatso whose father and two uncles ran a wool-weaving factory near the *Gung Ho* office.<sup>3</sup>

## Technical Innovation

About his introduction of the spinning wheel to Lijiang, Goullart has this to say:

The greatest event in the industrial life of Likiang was my introduction of the wool-spinning wheel, of which, prior to my arrival, the Nakhi had no idea...It was copied and recopied and constructed, with and without variations, by the hundred. In a very few months the whole town was in a frenzy of wool spinning...

There was no question any longer of my running after the prospective co-operatives in wool spinning or weaving. I was besieged with applications.<sup>4</sup>

<sup>2</sup> He Jiazuo, interview with author, April 13, 1992.

<sup>3</sup> Goullart, *Forgotten Kingdom*, 59–60.

<sup>4</sup> Goullart, *Forgotten Kingdom*, 60.

## Criteria for Forming Cooperatives

By December 1942, Goullart reports that ten cooperatives have been established out of nearly thirty applications. He says he “believes them to be fool-proof. They are bona fide and substantial.” He goes on:

The formation of all these cooperatives was completed last week and documents presented to the Treasury with the request to have these cooperatives duly inspected by them (they were at least twice by me and my staff) and loans granted...If somebody should say that the above cooperatives are not substantial or genuine, then I should like to see the man who can form better ones...<sup>5</sup>

By ‘substantial and genuine’, Goullart means such provisions as having to ensure that no cooperative is made up solely of members from one family, since in that case the cooperative loan would be used entirely and exclusively by the eldest male member of the family, often for purposes that had nothing to do with any cooperative; and of having to fend off efforts by well-known local rich families to form ‘cooperatives’ and obtain cooperative loans. As he observed, “They already had plenty of money of their own. Why should they get from the bank at a low interest the loan which was intended for the really poor?”<sup>6</sup>

Goullart also emphasizes the stipulation in the Chinese cooperative law that each cooperative must have a minimum of seven members and says:

...I required at the least seven separate families to join together. Each family nominated, as a member of the co-operative, a representative who could be a man or a woman but who had to work with his or her own hands. I was very strict about this and never permitted anybody to act as a sort of honorary member, simply lending the use of his name to fill the list of members.<sup>7</sup>

<sup>5</sup> Peter Goullart, letter to Mr. Mao, Director of the Yunnan–Kweichow Headquarters, December 5, 1942, INDUSCO Files, 1938–1952, Box 16, *INDUSCO: CIC Correspondence; Fitch, George - Goullart, Peter*, Folders 18–22, Rare Book and Manuscript Library, Special Collections, Columbia University, New York.

<sup>6</sup> Goullart, *Forgotten Kingdom*, 60-61.

<sup>7</sup> Goullart, *Forgotten Kingdom*, 61.

Finally, he says, he would not sanction the formation of “master and apprentice co-operative societies.”<sup>8</sup>

In a letter dated December 5, 1942, Goullart reported to Mr. Mao, Director of the Yunnan – Kweichow Headquarters that, at that point, he had only four cooperatives that had received loans. He notes:

My heart is bleeding that we cannot get funds for the loans but, as you will admit, it is something beyond my control. We are trying hard to carry out our duties. We supervise and manage the existing cooperatives and are constantly impressing on them the necessity of turning out better products. We are forming new ones and are choosing the best ones amongst them. I inspect them myself and then again and again by the members of our office...

A slight sense of hesitancy in his new role of Depot Master can be seen as he continues:

...We are now preparing and sending all such monthly reports and forms as required. Accounting is now in hand, we are working hard on it and all statements and vouchers will be sent soon to Mr. Sung. I know that these reports, forms, statements, documents may be far from being perfect but we learn from mistakes, if same are pointed out to us, and are trying our best to improve the quality of our labours.”<sup>9</sup>

## **Cooperative Loans and Funding Difficulties**

Loan funds for the cooperatives are a crucial issue. On the one hand, Goullart points out that the Likiang Nakhi have an advantage in forming cooperatives in that their livelihood at a subsistence level is assured. Cooperatives did not need loans for salaries, or any other non-production related purposes, since members lived in their own houses, ate their own produce, and worked without wages. They received remuneration according to work done when the profits were divided at the end of the year. They used the loans to buy wool and the materials to make looms and spinning wheels for spinning

<sup>8</sup> Goullart, *Forgotten Kingdom*, 66.

<sup>9</sup> Peter Goullart, letter to Mr. Mao, December 5, 1942, INDUSCO Files, Box 16.

and weaving cooperatives and the equivalent for other kinds of cooperatives. Their products sold well, and they never had trouble repaying the loans.<sup>10</sup>

All the Nakhi, whether in the town or country-side, were small-holders first and merchants, traders, or workers afterwards: all were devoted to their ancestral lands and farms. Those in the town who could not or would not attend to their fields and orchards in person, had farmed out the land to distant relations or friends.<sup>11</sup>

Nonetheless, they could not form cooperatives without loans. When Goullart first arrived in Lijiang, the only financial institution was the Provincial Co-operative Treasury, set up by the Guomindang government to support cooperatives. Prior to Goullart's arrival there were no cooperatives, the Co-operative Treasury had nothing to finance, and therefore, it seldom had funds. Remittances were sent from Kunming and cost ten percent of the amount sent. Furthermore, since the remittances were in silver dollars,<sup>12</sup> "the problem of transporting and storing funds was acute."<sup>13</sup> The four and one-half or five percent per month interest charged by the Provincial Treasury was considered very low; ten percent was a standard rate of interest.<sup>14</sup>

The mechanism for obtaining a loan was for Goullart to recommend the loan to the Co-operative Treasury, or in later years possibly to a bank, referring if necessary (for large loans) to *Gung Ho* headquarters in Chungking. Goullart notes that he was helped by powerful personal connections with the headquarters of the Provincial Treasury and with certain Yunnan provincial banks.<sup>15</sup>

<sup>10</sup> Goullart, *Forgotten Kingdom*, 64.

<sup>11</sup> Goullart, *Forgotten Kingdom*, 53.

<sup>12</sup> In October 1941, a hand-written note on a document indicates that a \$20,000 loan requested by CIC Chungking is equivalent to USD 1,000. Plan for the setting up of work for the manufacture of Rugs in Yunnan Koloshan, Chungking, October 10<sup>th</sup>, 1941, INDUSCO Files, Box 16. In 1948, Goullart writes: "...one U.S. dollar is worth four of our Yunnan silver dollars, sometimes only 3.50." Peter Goullart, letter to Elizabeth Selsbee, August 31, 1948, INDUSCO Files, Box 16.

<sup>13</sup> Goullart, *Forgotten Kingdom*, 64;

<sup>14</sup> Goullart, *Forgotten Kingdom*, 63.

<sup>15</sup> Goullart, *Forgotten Kingdom*, 62–63.



Goullart writes that the first wool spinning and weaving cooperative received a loan from the Provincial Treasury in about a fortnight after their first constitutional meeting. As soon as other cooperatives were formed, they also received loans, though the amounts were very small. The first loan was 300 dollars and subsequent loans were from 200 – 500 dollars, all granted for a period of one year only. (Goullart notes that by ‘dollars’ here he means silver half-dollars, not paper currency.)<sup>16</sup>

Some time later, as a result of his personal connections with the Bank of China’s General Manager in Kunming and with the Secretary General of the Bank’s head office in Chungking, Goullart is asked to help the Bank establish a branch in Lijiang. In return, the Bank extends loans to Goullart’s cooperatives at only 3.5 percent interest per month. These loans are in the Government’s national paper currency, meaning that, given the rapid depreciation of the paper currency that soon sets in, the cooperatives have the added advantage of repaying far less than they borrow. In general, though, as Goullart also points out in his reports, silver remains the currency used in Lijiang and, since it holds its value, for most of Goullart’s years there “life in Likiang remained stable and cheap.”<sup>17</sup> Eventually, Lijiang, too, has periods of financial instability, loans to the cooperatives depend more on scarce funding from ICCIC, and Goullart is impeded in his efforts to form and support cooperatives. However, this is true only towards the end of his time as Likiang Depot Master.<sup>18</sup>

Early in his work, a major problem for Goullart is the fact that he must depend on the regional *Gung Ho* office in Kunming for the operating funds for his office, including his own salary and the wages of his staff. In a letter dated March 20, 1943, he writes:

BUDGET. Kunming maintaining grave-like silence. Today is the 20<sup>th</sup> of March but all the banks state that they have no advices re possible remittances for us. Even a parcel would have reached us since February 11<sup>th</sup>, from Chungking, not speaking of a letter of remittance.

<sup>16</sup> Goullart, *Forgotten Kingdom*, 63–64.

<sup>17</sup> Goullart, *Forgotten Kingdom*, 64–65.

<sup>18</sup> Report CIC Likiang, June 30, 1947; Peter Goullart, letter to Elizabeth Selsbee, November 8, 1948, INDUSCO Files, Box 16.

The only possible way left to save our depot from ruin is, in my humble opinion, to remit us DIRECT, by wire, via the Shing Wan Bank, the second half of the budget, and, then, to try to recover from Kunming...the first part of the budget which they are evidently not willing or not able to relay to us.

At the moment, without being melodramatic, I may say that we are really facing “starvation.”<sup>19</sup>

Similar pleas and complaints are a feature of the early correspondence, and I believe Goullart was mystified by what must have seemed very unfair treatment. As he has written, he arrived in Lijiang with only a small sum in silver dollars and without the good wishes of his superiors. As we have seen, in his view they hoped and intended that he should fail. He persisted in his efforts, however, because soon: “my position had become so consolidated and there were then so many first-class co-operatives that there was no question of any withdrawal from Likiang.”<sup>20</sup> Nonetheless, his funding difficulties continued.

The explanation may be contained in this 1945 CIC Southwest Field Secretary’s report:

...The gross corruption of Southwest Regional Headquarters, and the lack of interest it displayed in the cooperatives under its care...meant that most of the capital funds intended for them were held in RHQ. Depots were kept for months without administrative expenses...<sup>21</sup>

## **Other Problems...**

As with medicines and funds, the remoteness of Lijiang and the exigencies of war resulted in constant delays, in communication, and especially in procuring other badly

<sup>19</sup> Peter Goullart, letter to Prof. Lewis Smythe, March 20, 1943, INDUSCO Files, Box 16.

<sup>20</sup> Goullart, *Forgotten Kingdom*, 65.

needed supplies. Some may appear minor, as in Goullart's repeated laments over his inability to obtain typewriter ribbons – a problem very evident to the hapless contemporary researcher who must decipher his material. He writes to Joseph Rock:

I could not write earlier as my typewriter was out of order and I have no ribbon. This one is borrowed just for today. By all means you must send me a fresh ribbon in the same manner as you sent me the necktie...<sup>22</sup>

And in a letter to Elizabeth Selsbee of the INDUSCO New York office:

Speaking of parcels, I wish to thank all of you for the beautiful Christmas cake in a lovely container which has just reached me. It was very, very kind of your Office to remember me thus...It is true the cake is rather overdue for Christmas of 1946 but it is not too late for my birthday on June 17<sup>th</sup>. I and my friends, including Dr. Rock, expect to enjoy it very much...<sup>23</sup>

But in a serious vein, Elizabeth Selsbee writes of what was truly a major problem: “The distance between us all is so great and there is so much to be done by consultation that it slows things up tremendously...”<sup>24</sup>

## Specifics of the Cooperatives

I would like to turn now to the kinds of cooperatives Goullart established in Lijiang, and their characteristics. Naturally enough, Goullart's cooperatives were based on the natural resources and traditional handicrafts of the area. Only a very few are not covered by this description. Thus, a large number are spinning and weaving cooperatives, producing knitting yarn, woollen cloth, and wool clothing. Cotton, hemp, and silk are

<sup>21</sup> Southwest Field Director's Report, CIC Annual Meeting 1945, INDUSCO Files, 1938 – 1952, Box 67 INDUSCO: CIC Subject and Organizations File: Regional Areas of Work: Southwest Headquarters Area (SWHQ) 1939 – Others (Hopei) 1947 – 1948, Folders 10, 13–15, 16–18, 22–27, 29, 30, Rare Book and Manuscript Library, Special Collections, Columbia University, New York; Douglas Robertson Reynolds, “The Chinese Industrial Cooperative Movement and the Political Polarization of Wartime China 1938 – 1945.” Unpublished Doctoral Dissertation, Columbia University, New York, 1975, 344–346.

<sup>22</sup> Peter Goullart, excerpt of a letter to Joseph Rock, July 21, 1945, INDUSCO Files, Box 16.

<sup>23</sup> Peter Goullart, letter to Elizabeth Selsbee, June 9, 1947, INDUSCO Files, Box 16.

<sup>24</sup> Elizabeth Selsbee, letter to Peter Goullart, October 4, 1946, INDUSCO Files, Box 16.

also spun and woven. Many more are leather tanning, shoe and boot making, and leather coat and jacket making cooperatives. These included cooperatives that made leather tanned for Tibetan use, and Tibetan boots. Cooperatives also made brass and copperware goods, including traditional locks and cooking vessels. Dry noodles were a popular product. Cooperatives mined iron and copper, cast ploughshares, and made paper from bamboo. Less usual were a furniture-making cooperative and a dairy cooperative.<sup>25</sup> In 1946, there was correspondence, and many meetings, concerning a very large proposed hydroelectric power cooperative, which, in the end, was not funded.<sup>26</sup>

In my view, it is important to note, as Goullart does, that his cooperatives are very small, often barely exceeding the minimum seven members.<sup>27</sup> Also, that they were simple, even primitive. That they nevertheless had great significance for Lijiang is unquestioned. To illustrate these points, I would like to look more closely now at the very few cooperatives for which Goullart has provided detailed information.

### ***The Iron Mining Cooperative and the Paper Making Cooperative***

Most of the cooperatives were in town, hence easier to supervise, but from time to time Goullart visited two more distant ones, the Ngatze Iron Mining Cooperative and the Upper Ngatze Paper-Making Society. The former was Goullart's largest cooperative with forty-three members; it was thirty-five miles from Lijiang. The papermaking cooperative was not far away – forty-eight miles from Lijiang and at an altitude of 14,000 feet. To get to the iron mining cooperative was a two-day caravan trip, but it had to be done in one long day because there was no place to stop at night. By leaving Lijiang at 4:00 a.m., Goullart could reach the mine by 5:00 p.m. He went with three or four horses carrying food and bedding, as the cooperative members were very poor, and he usually walked the whole distance. He says:

<sup>25</sup> Peter Goullart, Report on the Industrial Cooperatives of Likiang, September, 1945, INDUSCO Files, Box 16.

<sup>26</sup> Peter Goullart, letter to Rewi Alley, Feb. 7, 1946, INDUSCO Files, Box 16.

<sup>27</sup> Goullart, *Forgotten Kingdom*, 67.

After five it became dark in the valleys and gorges and I was afraid of losing my footing on the path which weaved along a series of precipices.<sup>28</sup>

The work at the Mining Co-operative started early in the morning. Some men dug the hematite out of the pits on the hillside...Entire hillsides consisted of hematite, but extraction by hand was so primitive that they worked only the richest veins. The ore was brought by baskets to an opening near the stream and there the men, sitting on the ground, broke the stones into small fragments ready for smelting. A great furnace, constructed of stones, bricks and clay, bound with wooden poles on the outside, stood nearby. The fragmented ore was dumped into the open top of the furnace, followed by a layer of charcoal, then another layer of ore, and so on until the furnace was full. Finally the top was sealed and the furnace fired. A water wheel slowly worked giant bellows made out of a huge tree trunk. After a whole day's burning a small window was opened at the base of the furnace and the blazing stream of molten iron slowly poured out on the ground, solidifying into a thin sheet of primary iron. This was broken into large slabs and dragged aside for weighing, breaking and then loading into another smaller furnace nearby, which was worked on the same principle. Soon a small door was opened in the furnace and a man extracted with long iron tongs a blazing lump of iron and deftly put it on the anvil. Immediately a group of assistants joined him and with heavy hammers they pounded the lump, in a minute or two, into an oblong pig which was thrown aside on the ground to cool...These pigs were then weighed and stored for disposal. Such was the uncomplicated working of this co-operative.<sup>29</sup>

After two or three days at the iron mining cooperative, Goullart would climb to the paper-making cooperative, which, due to the hazards of the trip, would send someone down to fetch him. The first part of the trip lay through country that Goullart says was:

rather dangerous as it was a sort of no-man's-land, covered with great forests, and peopled by many comparative newcomers such as the Szechuanese squatters, Tibetans from Chungdian, Miao, White Lolos and displaced Nakhi and Boa...Further up the mountain we passed a village called Sadowa, populated by Szechuanese squatters who were peaceful farmers by day and, it was alleged, ruthless robbers by night...Then, past midday, we made one last effort and climbed, at an incredible angle, through a thick wood, to the small platform on which the Paper-making Co-operative was situated. It was a long, rather low building begrimed with the smoke of wood fires burning in it day and night owing to the

<sup>28</sup> Goullart, *Forgotten Kingdom*, 187.

<sup>29</sup> Goullart, *Forgotten Kingdom*, 189–190.

cold. In front there were three large and deep square stone tubs. Further down there were two huge vats with furnaces underneath and a shallow, stone-lined oblong pool. A small, surprisingly powerful and noisy, ice-cold stream rushed from the top of the mountain, past the building, revolving a wooden wheel connected to a crusher. In a tiny fenced field, a few cabbages and turnips grew; a few big pigs and some chickens roamed at large and there were two fierce Tibetan mastiffs chained to the log fence.<sup>30</sup>

The cooperative had eight members, who were “mountain Nakhi and Szechuanese”; one member was the technician. The paper was made from a kind of purple mountain bamboo growing at altitudes above 15,000 feet.<sup>31</sup>

The paper was yellowish in colour, thick and too rough for writing on. It was used for wrapping and other household purposes; but its main use was for childbirth, fulfilling the function of sanitary napkins and towels. It was very cheap and the margin of profit on its production was extremely meagre.<sup>32</sup>

Goullart nicknames this the ‘Co-operative above the Clouds’ and writes eloquently of the beauty of its setting. At the same time, he describes the extreme poverty of the peoples of this region and his hope that at least one of the cooperatives is helping in a very minor way.<sup>33</sup>

### ***The Dairy Cooperative***

The above cooperatives are not prominent in Goullart’s correspondence and reports, but the Erhyuen Dairy Cooperative is often mentioned, especially since a major difficulty is obtaining the equipment to make it possible. Like the two described above, this cooperative, while using local resources, is one of the few not based on traditional handicraft production. Instead, it is an innovation by Goullart, who sees great promise in providing butter to the foreign population of Kunming and even Shanghai.

<sup>30</sup> Goullart, *Forgotten Kingdom*, 193–194.

<sup>31</sup> Goullart, *Forgotten Kingdom*, 194.

<sup>32</sup> Goullart, *Forgotten Kingdom*, 195.

<sup>33</sup> Goullart, *Forgotten Kingdom*, 192–195.

Goullart first mentions the idea of a butter and condensed milk cooperative to supply the army in a letter to Rewi Alley in March 1944.<sup>34</sup> In April 1945, in a letter to Ida Pruitt,<sup>35</sup> he talks of a “mammoth” butter and cheese cooperative.<sup>36</sup> In June 1945, he writes to Ida about his need for a cream separator, saying that the cooperative can pay for it, and that he has tried to get one through the CIC office but has not even received a reply.<sup>37</sup> On October 2, he tells her that he needs the cream separator quickly. “It will be no good to us if we get it in A.D. 1950.” Ida is their only hope; he thinks it shouldn’t be hard to buy – just difficult to get to them.<sup>38</sup> On October 24, he notes that he is very glad to hear that the cream separator has been ordered.<sup>39</sup> To Rewi Alley he writes “...I am eating my heart out waiting for the Cream Separator which Miss Pruitt promised to send via Calcutta.”<sup>40</sup> Finally, in August 1946, he reports that he has been able to meet Ida Pruitt in Shanghai and has just returned, bringing the cream separator with him.<sup>41</sup> And, in a letter to Rewi Alley on December 12, 1946, Goullart is able to write “...the time to begin operations at our Butter Cooperative draws near. I am looking forward to that work so much.”<sup>42</sup>

<sup>34</sup> Peter Goullart, letter to Rewi Alley, March 1, 1944, INDUSCO Files, Box 16.

<sup>35</sup> Ida Pruitt was born in Penglai, Shandong in 1888 of American missionary parents; she lived in China until 1939. As a young woman, she studied social work in the U.S., and by 1938, she headed the Social Service Department of Peking Union Medical College. In that year, she met Rewi Alley and, inducted into the *Gung Ho* movement, assisted him in setting up industrial cooperatives. In 1939, she reluctantly left China, convinced by Rewi that she could make a greater contribution to *Gung Ho* by helping to raise money in America. She settled in New York and set up INDUSCO (the American Committee in Aid of the Chinese Industrial Cooperatives, later called the American Committee for the Promotion of Chinese Industrial Cooperatives). From 1939 to 1951, she held the positions of Executive Secretary, International Field Secretary, and China Representative of INDUSCO, Inc. Ida Pruitt died in Philadelphia in 1985. (Marjorie King, *China's American Daughter: Ida Pruitt (1888 – 1985)*, (Hong Kong: The Chinese University Press, 2006), xv-xxiv.

<sup>36</sup> Peter Goullart, letter to Ida Pruitt, April 26, 1945, INDUSCO Files, Box 16.

<sup>37</sup> Peter Goullart, letter to Ida Pruitt, June 4, 1945, INDUSCO Files, Box 16.

<sup>38</sup> Peter Goullart, letter to Ida Pruitt, October 2, 1945, INDUSCO Files, Box 16.

<sup>39</sup> Peter Goullart, letter to Ida Pruitt, October 24, 1945, INDUSCO Files, Box 16.

<sup>40</sup> Peter Goullart, letter to Rewi Alley, December 7, 1945, INDUSCO Files, Box 16.

<sup>41</sup> Peter Goullart, letter to Elizabeth Selsbee, August 23, 1946, INDUSCO Files, Box 16.

<sup>42</sup> Peter Goullart, letter to Rewi Alley, December 12, 1946, INDUSCO Files, Box 16.

The dairy cooperative is also a departure for Goullart in that it does not involve poor people eking out a living in harsh circumstances. Erhyuen is eighty miles south of Lijiang in Minkia (Bai) country. In *Forgotten Kingdom*, Goullart describes the area:

Erhyuen was a small town but very picturesque as it lay in a perfect amphitheatre of green, forested mountains behind a large lake...The countryside around Erhyuen was green and full of lush pastures...<sup>43</sup>

To form the cooperative, Goullart had obtained the assistance of an influential family named Ma, anxious, Goullart says, to improve the lot of the local people, to all of whom they were related. In a letter to Lang Wong, Director of the CIC Man and Machines Office in Chengdu in October 1945, Goullart states that the Dairy Cooperative in Erhyuen has 500 members and loan capital of ten million national dollars, half from members and half from the bank.<sup>44</sup>

Writing some years later, he says that the cooperative was comprised of “about twenty young Minkia men, all from good farming families,” each of whom had his own cows and brought them into the cooperative. It is not clear how these differing accounts should be resolved, but it seems likely that the first refers to community member shareholders while the second describes the cooperative’s working members. To my knowledge, other than the hydroelectric project that was not funded, this is Goullart’s only attempt to initiate a cooperative functioning on a larger scale. Two of the other Lijiang cooperatives made a churn, cans, and other containers for the cooperative, while the Ma family contributed a building.<sup>45</sup>

The downstairs rooms were devoted to butter-making and upstairs we all lived together. It was impossible for the members to start the process of butter-making by themselves, for they had some very funny ideas about hygiene and machinery; so I had to spend more than a month at Erhyuen, working like a slave, and teaching them the art of making butter in European style.<sup>46</sup>

<sup>43</sup> Goullart, *Forgotten Kingdom*, 195.

<sup>44</sup> Peter Goullart, letter to Lang Wong, Director, CIC Man and Machines Office, Chengtu, October 1, 1945, INDUSCO Files, Box 16.

<sup>45</sup> Goullart, *Forgotten Kingdom*, 195–196.

<sup>46</sup> Goullart, *Forgotten Kingdom*, 196.



...soon we were making up to fifty pounds of butter every day. It was sent, in little barrels, by truck to Kunming, was cut there into 1-lb., 1/2-lb., and 1/4-lb. blocks, wrapped and sold at a store. The business was good and had every promise of growing.<sup>47</sup>

Evidently, Goullart derived considerable satisfaction from being able to put his own skills to use in one of his cooperatives. The butter-making methods used locally had not worked, and some western methods were too sophisticated and required too much equipment. Goullart employed a traditional method he had learned in Europe and, as he expected, it turned out to be effective and simple for local farmers to learn.

### ***The Chiwen Leather Cooperative***

The final cooperative for which I have a detailed description is the Chiwen Leather Cooperative, a leather and shoe-making cooperative, of which Goullart says: “It was affectionately called by the Likiang people the Wa Wa Co-operative, that is to say, Children’s Co-operative.”<sup>48</sup> Elsewhere, Goullart calls it ‘the Boys’ Co-op’.<sup>49</sup> “Our pride is the so-called Boys’ Co-op. It now has twelve young men, between 19 and 23. They are all expert leather tanners and expert shoemakers.”<sup>50</sup>

However, the boys were not always so expert. Goullart explains that their early efforts at both leather tanning and shoe making were so inept that their tanning was “crude” and their shoes “as shapeless as potatoes.”<sup>51</sup> Goullart subsequently sent one of them, “duly selected by themselves” to be trained at a Chungking leather tanning factory.<sup>52</sup> On his return two years later, the young man brought back chemicals and tools purchased with money from the cooperative’s loan fund, and knowledge, which he passed on to the other cooperative members. In a letter to Rewi Alley, Goullart writes:

<sup>47</sup> Goullart, *Forgotten Kingdom*, 197.

<sup>48</sup> Goullart, *Forgotten Kingdom*, 197.

<sup>49</sup> Peter Goullart, letter to Rewi Alley, May 3, 1944, INDUSCO Files, Box 16.

<sup>50</sup> Peter Goullart, letter to Rewi Alley, May 3, 1944, INDUSCO Files, Box 16.

<sup>51</sup> Goullart, *Forgotten Kingdom*, 197.

<sup>52</sup> Goullart, *Forgotten Kingdom*, 197.

I know you will be pleased to hear that Leather Trainee Ho Tze Chuen had returned here and first fruits of CIC training program appeared in Likiang in the shape of excellent leather at moderate cost. Local Military Headquarters liked it so well that they placed an order for 1000 pairs Shoes and 500 pairs Military Boots to be delivered within 100 days, promising further large orders.<sup>53</sup>

A year later, he reports that the cooperative has done so well that it has returned all of its loan capital and accrued interest.<sup>54</sup> One reason for the cooperative's success is an early innovation by Goullart. In a July 3, 1944 letter to Ida Pruitt he writes:

The shoes we now make are most elegant and we have captured not only Tali, Hsiakwan and Lhasa markets, but now receive big orders from Kunming and even Chungking. The trick is, I confess, that I make them copy all male styles from several copies of Esquire I had and also Montgomery Ward Catalogue. Thus, most of the Fifth Avenue styles have faithfully re-incarnated in Likiang, causing great mystification and delight even in such sophisticated centres as Kunming and Chungking.<sup>55</sup>

And he adds:

I have now extended the trick to our sock and stocking manufacturing and to Weaving and Tailoring coops. Indeed, a person can now be presentably dressed from head to foot in Likiang not using a stitch of any outside material...<sup>56</sup>

I will discuss this cooperative further at a later point, since there is detailed information on its internal management among the materials I have.

## **The Management of the Cooperatives**

### ***External Supervision***

Now, finally, I will turn to an examination of the issue I consider most significant: how the cooperatives were managed – both externally (by Goullart and his office) and internally (by members).

<sup>53</sup> Peter Goullart, letter to Rewi Alley, December 12, 1946, INDUSCO Files, Box 16.

<sup>54</sup> Report, December 31, 1947, INDUSCO Files, Box 16.

<sup>55</sup> Peter Goullart, letter to Ida Pruitt, July 3, 1944, INDUSCO Files, Box 16.

It appears clear to me that Goullart was strict in his supervision of the cooperatives, concentrating on two aspects in particular: vetting the cooperative prior to its official 'constitution' meeting, and paying close attention to its financial health thereafter. I have discussed the first issue to some extent in describing how Goullart formed cooperatives. In the present context, I find the following remark of Goullart's worthy of note: "I inspect them [the cooperatives] myself and then again and again by the members of our office..."<sup>57</sup> In a monthly report in July 1948, he states, "Our office has been crowded with reorganization and constitution meetings...I have had to make several inspection trips a day to see the old and prospective cooperatives."<sup>58</sup>

In a later report summing up his thinking, Goullart writes:

We form cooperatives only of bona-fide residents of Likiang hsien. We make exhaustive investigation of each prospective member as to his capacity, character and honesty, before agreeing to form a cooperative...<sup>59</sup>

Once a cooperative was operating, Goullart appeared to have no compunction in suspending or closing it down if he considered it weak. As he notes,

All our cooperatives are run on a strictly business basis...If any cooperative degenerates, it is promptly dissolved or suspended but never maintained for sentimental or other reasons...<sup>60</sup>

In a letter written in October 1945, he again stresses stringent management standards, stating "...we are carrying on here, and not too badly, only because we do not stand any nonsense, rigidly controlling in person their [the cooperatives] use of capital and progress of their work..."<sup>61</sup>

In a similar vein, in a May 1943 letter to the CIC office in Chungking, he reports: "There has not been any trouble with our cooperatives except one – the Knitting

<sup>56</sup> Peter Goullart, letter to Ida Pruitt, July 3, 1944, INDUSCO Files, Box 16.

<sup>57</sup> Peter Goullart, letter to Mr. Mao, Director of the Yunnan-Kweichow Headquarters, December 5, 1942, INDUSCO Files, Box 16.

<sup>58</sup> Monthly Report July 1948, INDUSCO Files, Box 16.

<sup>59</sup> Report CIC Likiang December 31, 1946, INDUSCO Files, Box 16.

<sup>60</sup> Report CIC Likiang December 31, 1946, INDUSCO Files, Box 16.

Cooperative. Same has been closed by me without any loss either to the Bank or ourselves.”<sup>62</sup>

In a letter to Rewi Alley in February 1946 he reports that:

The rest of our Cooperatives are thriving. Interest is paid regularly and willingly. Loans are refunded on maturity. We had seven new coops and three more are in formation. I have suppressed most of the weak or ineffectual ones – without loss to ourselves...<sup>63</sup>

Goullart’s reports are filled with similar comments, and, indeed, what is striking is the degree of turnover. Reports show some cooperatives in continued existence, some new ones formed, and some noted as having been discontinued or ‘under reorganization’.<sup>64</sup>

Since our last report nine cooperatives have been dissolved. Three new ones have been formed. One is in formation and one in reorganization...<sup>65</sup>

And in another report:

The total number of the cooperatives registered is actually 41. However, we have suppressed all weak and ineffectual ones. Quality rather than quantity is our aim here...<sup>66</sup>

Over time, though, Goullart comes to prefer suspending a cooperative to disbanding it, where possible:

<sup>61</sup> Peter Goullart, letter to Mrs. Beatrice Braid, Chengtu, October 12, 1945, INDUSCO Files, Box 16.

<sup>62</sup> Peter Goullart, letter to Mr. K.P. Liu, Chief of the Field Work Department, CIC Chungking, May 30, 1943, INDUSCO Files, Box 16.

<sup>63</sup> Peter Goullart, letter to Rewi Alley, February 7, 1946, INDUSCO Files, Box 16;

<sup>64</sup> It is difficult to calculate the number of Lijiang Gung Ho cooperatives in existence at any given time, since my information is incomplete and Goullart is inconsistent in his reporting methods. The smallest number of cooperatives reported is, not surprisingly, in 1942, when Goullart reports six cooperatives with sixty members. (In a letter previously cited, he mentioned ten cooperatives as having been founded in that year, but they may not all have been successful.) In 1945, he reports twenty-three cooperatives with 263 members; in 1946, he reports thirty-six cooperatives – no number of members given. However, as above, different figures are listed at different points within each year, and, over the years, many cooperatives are established and dissolved. Thus, the purpose of this note is merely to provide an approximate sense of the numbers involved. Report CIC Likiang, February 1, 1947, INDUSCO Files, Box 16. Report CIC Likiang, September 1945, INDUSCO Files, Box 16. Report CIC Likiang, December 31, 1946, INDUSCO Files, Box 16.

<sup>65</sup> Report, CIC Likiang, June 30, 1947, INDUSCO Files, Box 16.

After considerable experience, we are now wary to dissolve an offending cooperative at once. Rather, we collect the loan capital, retrieve their official seals and let it remain suspended for a time. With the cooperative consciousness now gaining ground daily at Likiang, usually a reconstituted group of members appears after a while, willing to make a success out of defunct cooperatives. Profiting by past mistakes, such reorganized units make a strong cooperative.<sup>67</sup>

Whatever the method, dealing with weak cooperatives is done with the purpose of ensuring that there are no defaults on cooperative loans. Here Goullart is astonishingly successful. His reports are also filled with statements similar to this one:

As before, we have had no trouble in collecting back our Loan Capital or accrued interest...<sup>68</sup>

In all of the reports and correspondence I have seen, there is only one occasion on which Goullart notes any failure in loan repayment. He states in a monthly report in March 1949, that: "The Chairman and principal members of the Shienyunkai Furniture Cooperative have absconded." Goullart says that he has instituted proceedings through the Magistrate to recover loan capital and accrued interest. All members of this cooperative are Minkia (Bai) men.<sup>69</sup>

Goullart does not take undue credit for his success with financial supervision of the cooperatives, understanding that the traditions of the Naxi are a strong contributing factor:

I never had any trouble about loan repayments from the Naxi people. The poorer they were, the more conscientious and particular they were about their financial obligations...<sup>70</sup>

It was undoubtedly significant, in Goullart's view, that his single defaulting cooperative was one formed of "Minkia men," leaving the Naxi cooperatives' perfect repayment record intact.

<sup>66</sup> Appendix to Report (marked received March 22, 1946), INDUSCO Files, Box 16.

<sup>67</sup> Report CIC Likiang, December 31, 1946, INDUSCO Files, Box 16.

<sup>68</sup> Report, CIC Likiang June 30, 1947, INDUSCO Files, Box 16.

<sup>69</sup> Monthly Report, March 1949, INDUSCO Files, Box 16.

However, he believes that in addition to Nazi reliability in financial matters, his overall supervision policies are also a factor. They not only work well, but they have also gained a strong local reputation. In a letter to Rewi Alley in December 1945 he writes:

The rush to form new coops is surprising and I am rather at a loss to explain it. Applications are coming even from adjoining hsiens. Many people are desirous of forming coops without calling on us for loan capital provided they can obtain direction of our Depot.<sup>71</sup>

In terms of the turnover among the cooperatives, it is interesting to note that “weakness” is not the only factor causing a cooperative to disband, or to be disbanded. Goullart, who, given his general political views and, perhaps, his ties to H.H. Kung, tends to identify himself strongly with the Guomindang government, accords it high praise for “its interest in, and sympathy with, the Co-operative Movement.”<sup>72</sup> “Its laws and rules were,” he says, “wise and uncomplicated.”<sup>73</sup> As one example, he cites the fact that cooperatives were not expected to continue forever, but rather:

...to help poor craftsmen who had nothing with which to start to become prosperous and to regain their footing in society through co-operative enterprise. When they had reached the highest point of prosperity and security, it was up to them to continue their profitable association or, if they so wished, to dissolve, and enjoy the fruits of their labour individually and perhaps in other capacities, thus making way for another group of less fortunate people to repeat the process...<sup>74</sup>

As with his enthusiastic operation of his medical clinic, this may be a case of how Goullart chooses to interpret the rules. Rather than measuring his success as Depot Master by the number of stable cooperatives functioning in Lijiang at any given time, Goullart evidently saw cooperatives as a transitional economic form, intended to help the poor on their way to greater prosperity.

<sup>70</sup> Goullart, *Forgotten Kingdom*, 64.

<sup>71</sup> Peter Goullart, letter to Rewi Alley, December 7, 1945, INDUSCO Files, Box 16.

<sup>72</sup> Goullart, *Forgotten Kingdom*, 65.

<sup>73</sup> Goullart, *Forgotten Kingdom*, 65.

<sup>74</sup> Goullart, *Forgotten Kingdom*, 65.

## ***Internal Management***

I would now like to turn from the issue of external supervision of the cooperatives to how they functioned internally. A very simple version of the theory is this. The basic organization principles of *Gung Ho* were: collective ownership with the members as shareholders; democratic management with officers elected by the members; distribution according to work; independent accounting with the members taking responsibility for profits and losses. Membership was open and voluntary and all members were required to invest in the cooperative.<sup>75</sup>

In his autobiography, speaking of the early days of *Gung Ho* development in 1938, when “the regulations that governed the setting-up of a cooperative were worked out,” Rewi Alley lists the following provisions:

There must be at least seven members to start a cooperative. The members must be serious in their intention to work, learn and repay their loan.

Each member must own at least one share. None can own more than 20% of the share capital. Under no circumstances can a member have more than one vote.

Members of the cooperative are to determine their hours and rate of pay.

A Chairman is to be elected from amongst the members to act as a foreman.

Misconduct of any member is to be judged by all the other members.

Regular meetings are to be held for discussion of problems and plans.

Profits at the end of the year are to be divided as follows: 20% to the Reserve Fund, 10% to the “Common Good” Fund, 10% for payment of Federation directors and staff, 10% to a local Industrial Cooperative Development Fund (for shares in the Federation), and 50% to the individual workers in the cooperative. Of this last 50%, two-fifths is paid by the members for shares in the cooperative. Expulsion for non-cooperative conduct is to be voted by the majority at a general meeting.

A committee of directors is to be elected by members to carry on financial transactions.

<sup>75</sup> Yang Bo. “Gung Ho—A Significant Part of Rewi Alley’s Legacy” in the International Committee for Promotion of Chinese Industrial Cooperatives; the Research Office for Rewi Alley’s Works, Chinese People’s Association for Friendship with Foreign Countries. *Rewi Alley on Gung Ho*. (Beijing: Beijing Review Press, 1989).

Members may resign but are to receive only the nominal value of their share holdings.

The slogan to express their relationship with each other would from now on be “one for all and all for one.”<sup>76</sup>

Goullart does not have as much to say as one would like about these matters. As mentioned above, both Elizabeth Selsbee, Publicity Director of the New York INDUSCO office and Melvin J. Fox, the office’s Executive Director, request more factual detail from Goullart in his writing. They do so specifically where the cooperatives are concerned. Elizabeth Selsbee asks if it would be possible for him to write some articles for their use “talking about the various tribespeople, their ways of life, how you organized cooperatives, and a rather detailed description of how you organized one specific cooperative?”<sup>77</sup> Melvin J. Fox asks for more information “as to the actual operations and day-to-day problems of the cooperatives. We very much need this type of information in order to develop interest here in the United States at this time.”<sup>78</sup>

### ***Management of the Chiwen Leather Cooperative***

However, the only useful response from Goullart is to an inquiry from noted Chinese sociologist Dr. Chen Hanseng, a comprehensive set of questions related to the Chiwen Leather Cooperative, sent via Elizabeth Selsbee. At this point, the cooperative has been in existence for four years. Elizabeth Selsbee writes to Goullart: “Dr Chen Hanseng has seen several of your reports and has asked me to forward to you the following questions which will be of great interest to all of us here.”<sup>79</sup>

Dr. Chen’s questions concern names, ages, backgrounds of the members, the Chairman and what he thinks of cooperatives; wages, hours, working conditions of the

<sup>76</sup> Rewi Alley, *An Autobiography*, 3rd ed. (Beijing: New World Press, 1997), 110-11.

<sup>77</sup> Elizabeth Selsbee, letter to Peter Goullart, February 1, 1946, INDUSCO Files, Box 16.

<sup>78</sup> Melvin J. Fox, Executive Director, INDUSCO, Inc., New York, letter to Peter Goullart, March 28, 1947, INDUSCO Files, Box 16.

<sup>79</sup> Elizabeth Selsbee, letter to Peter Goullart, August 21, 1947, INDUSCO Files, Box 16.



cooperative, comparison with private-run industry; business management and marketing; education; profit sharing; and, significantly, internal organization:

How often does the coop hold meetings; how are the meetings run and how are the records kept? What language is used for their written script and in what language are the reports kept? Is Nashi used predominantly?<sup>80</sup>

Here are excerpts from Goullart's replies:

...Questioned about his views re Cooperative, Mr. Nien declared that he and his friends were formerly employed by a "laobang" [boss], named Liu Shwen. He and nine of his friends always longed to get out and start work by themselves because Mr. Liu drove them hard and always tried to suppress any originality or individuality in their work. However, they were paid so little they could not save any money that would permit them to open their own workshop. Just then, when their hopes were at their lowest, the CIC Depot was established at Likiang. This was their golden opportunity to establish themselves on the conditions they did not dare dream about at the time i.e. on real cooperative conditions which permit them to work in equal partnership, share profits equitably and be complete masters of their own destiny. Mr. Nien admits that all of them now have prospered considerably and have raised their living standard appreciably...

...Each member receives wages. But each member, irrespective of his qualifications, draws a monthly living allowance which is spent on food, etc...In case a member urgently needs funds for some important occasion in the family, such as marriage, death or sickness, he is allowed to draw the amount required from the Cooperative. The amount drawn is settled for during the profits' division. The monthly living allowance is much less than wages at a private enterprise but each member earns a small fortune in profits at the end of the year...

...Ho Tze-chang is the Manager. He buys hides for tanning and sells parties<sup>81</sup> of finished leather to local shoe-makers. Chao Kai-hwa, Vice Chairman, helps him. Niu Tzu-woo is Treasurer. Yang Tseng is in charge of stores...

...The Cooperative rented this year a large shop on Main Street where they sell their shoes, footballs and other finished products. Also such products are sent for sale to Kunming, Hsiakwan and Paoshan. The shop is managed by each member in rotation...

<sup>80</sup> Elizabeth Selsbee, letter to Peter Goullart, August 21, 1947, INDUSCO Files, Box 16.

<sup>81</sup> "party – ORIGIN ME: from OFr. *partie*, based on L. *partiri* 'divide into parts'." Catherine Soanes and Angus Stevenson, eds., *Concise Oxford English Dictionary*. (Oxford: Oxford University Press, 2006, Eleventh Edition Revised). I assume 'party' measures an amount of leather, but I have been unable to find further information.

...Each month all members hold a meeting at which current business problems are discussed. Also, once a month, Chairman, Vice Chairman and Manager have a conference re current business policy. If any matter of particular urgency and importance arises, a meeting of members is called to decide upon it. During meetings and in conversation with each other, members use the Nashi language. However, records are kept in Chinese...

...The Cooperative keeps all the usual account books, such as cashbook, ledger, stock book, etc. These books are kept in Chinese, are always kept up to date and are open to any member's inspection at any time...<sup>82</sup>

To me, these replies fall far short of what I had hoped to find. They are not enlightening as to "the actual operations and day-to-day problems of the cooperatives," but rather provide general information about what should be the case, what cooperatives are supposed to do – for example, to share profits, to provide funds for members' 'welfare' in case of need. But do members work 'in equal partnership'? Are they equally 'complete masters of their own destiny'? There is no convincing detail, no example to show that this is so. In my view, Goullart's description of members' meetings reads like a statement of what should happen rather than providing detail acquired from his own experience as to what might have happened at an actual meeting. Nowhere in any of the materials I have read can I find a suggestion that Goullart ever attended a members' meeting, other than the meetings he himself calls when a cooperative is formed.

### ***Other Information on Internal Management***

Otherwise, Goullart's comments on the internal organization of the cooperatives occur in two contexts: one, in which he makes statements, usually in correspondence, concerning the quality of his cooperatives. The other appears in annual reports on the cooperatives, where he gives a description followed by his views on each cooperative.

Examples of the first kind are these:

We now have some twenty co-ops. Some of them are so good and so "cooperative" that Mr. Chow says he has not seen the like of them even in Kunming or Chengtu.<sup>83</sup>

<sup>82</sup> Peter Goullart, letter to Elizabeth Selsbee, October 3, 1947, INDUSCO Files, Box 16;

Please do your utmost to help us, if possible. Our co-ops here are the most influential ones in the Province...<sup>84</sup>

...At present we sincerely believe that our cooperatives are a more compact whole and are more “Cooperative” conscious than before. There are fewer weak cooperatives, if any at all.<sup>85</sup>

Again, Goullart doesn't tell us what he means by saying that his cooperatives are “good” or “cooperative” or “cooperative conscious.”

### ***The Internal Functioning of Specific Cooperatives***

The following remarks reflect Goullart's views on the internal functioning of specific cooperatives. They are taken from a 1946 report that gives an annotated list of 36 cooperatives, with details on each cooperative, including a few words of assessment.

The first concerns No. 7, the Ngatze 1<sup>st</sup> Iron Mining Cooperative, described earlier:

This cooperative is situated 35 miles away from Likiang in a deep gorge by the powerful glacier stream called Black and White Water. It was established in September 1944...

It is not a very satisfactory cooperative as some members are Miaos, who live in the gorge. They are primitive people and have but little idea of cooperation. However, the business is good and we are trying our best to improve the quality of this cooperative by pressure and persuasion, although it is a slow process.

This one describes No. 10, the Hwangshankai Spinning and Weaving Cooperative, of which ‘*Gung Ho* Elder’ He Jiazuo, mentioned by name below, was a member:

This is the first cooperative to be established in Likiang. It was organized in July 1942, and reorganized in March 1946...It is a conservative but strongly established cooperative, all members belonging to the same clan. Business is very prosperous. Ho Kia Tso, a young member, is now on the way to Sandan Bailie School to learn rug making.

Other examples are:

<sup>83</sup> Peter Goullart, letter to Rewi Alley, May 3, 1944, INDUSCO Files, Box 16.

<sup>84</sup> Peter Goullart, letter to Ida Pruitt, July 3, 1944, INDUSCO Files, Box 16.

No. 5, the Changsui Ploughshare Casting Cooperative:

This cooperative was established in March 1943. Last year most of the members fell out with each other. Owing to poor management its business is insignificant. As soon as the remaining loan capital is repaid, we will suppress this cooperative...

No. 6, the Changsui Ironsmith Cooperative:

...It was established in March 1944. In spring several members passed through long illness and one member committed "yuwu" (ceremonial suicide pact). As this cooperative has had a good record, we are reorganizing it. It has good business in horseshoes.

No. 9, the Machintze Copper Mining Cooperative:

This cooperative is situated 25 miles from Likiang by the Yangtze River. It was established in January 1945...Business is satisfactory...It is a real cooperative, although the organization is somewhat loose. Some members stop working for certain periods to attend to their farm work...

About No. 16, the Chisanhang Spinning and Dyeing Cooperative, Goullart merely comments: "It is run on cooperative principles but rather independently as they have never wanted any loans either from CIC or from local banks..."

No. 26, Shingjenkai Leather Cooperative:

This cooperative, situated on a busy street, was formed in December 1945. It repaid its loan capital. We have not been satisfied either with its membership or management, and are going to reorganize it completely in January 1947.

No. 27, Wenming Leather Cooperative:

This cooperative was established in September 1946. It is situated somewhat far from the center of the town. They have a good tannery and a shop. The cooperative consists of young members – energetic and ambitious. They have steady business. We consider it to be a very good cooperative and are watching its work closely.

No. 34, Tsaiho Spaghetti Cooperative:

Dry spaghetti, made from peas and lentils are a notable product of Likiang...Business is steady and good. This is a very good cooperative in its class.<sup>86</sup>

<sup>85</sup> Report CIC Likiang, June 30, 1947, INDUSCO Files, Box 16.

<sup>86</sup> Report CIC Likiang, December 31, 1946, INDUSCO Files, Box 16.

As before, though it is possible to guess, I should dearly like to know what Goullart considers “conservative management,” or “poor management” or “a real cooperative” or “a very good cooperative.”

### ***Another Depot Master’s Report on a Cooperative***

For purposes of comparison, here is a rather different report on the internal functioning of a single cooperative from another depot master under the Yunnan Headquarters of the Southwest region:

...The coop has summoned a meeting of the whole membership once, a meeting of the Board of Directors once, and discussion meetings twice during this year. The CIC organizer was invited to present himself at the meeting of the whole membership. These meetings are recorded in detail.

The service list of the coop is as follows...

Names are given for the positions, which are: Chairman of the Board of Directors, Cashier, Clerk, Chairman of the Board of Supervisors, Supervisors (two).

...The payment of wages is according to piece work, i.e. \$1,200 for one bolt of cloth. Unless one bolt of cloth is finished each day, \$300 is reclaimed from members for board.”

The Chairman of the Board of Directors is concurrently the Manager and Technician of the cooperative. The Chairman of the Board of Directors, the Cashier and the Clerk are paid salaries. All members are provided with board by the cooperative...<sup>87</sup>

I find it much more plausible that the number of meetings mentioned in this report should have occurred, and that the CIC organizer attended one when invited. Equally, the information on wages is clearly specific to this particular cooperative.

Summarizing his views on how the Likiang Depot is to produce good cooperatives, Goullart notes:

We have neither facilities nor funds for any educational work. However, we lose no chance to inculcate cooperative principles into cooperative members. During the constituent meetings, especially, we harangue them

<sup>87</sup> Tung shao-kuei, Report on the Second Weaving Cooperative, Yunsi, Yunnan, June 30, 1947, INDUSCO Files, Box 67.

for a long time on the necessity of following cooperative principles in their work...<sup>88</sup>

As far as I can discern Goullart's philosophy for dealing with mature cooperatives under his Depot's jurisdiction, it is his Daoist side, in my view, that comes to the fore: once the cooperative has satisfied him as regards all external criteria, its internal functioning is its own business – unless and until he has to step in to ensure its financial stability.

## Cooperative Education

As regards cooperative education work, undoubtedly viewed as a significant part of the Depot Master's responsibilities within *Gung Ho*, I think Goullart espoused cooperative principles himself and did cooperative education suited to the situation whenever he felt it might be efficacious – as demonstrated, for example, by this excerpt from a letter written by one of the young men he sent to the Shandan Bailie School<sup>89</sup>:

...But a Bailie boy must know the real Gung Ho ideal, as you told me the Bailie School is not general school, but is to set up cooperatives. I think if we can understand the cooperative base then we need not to have a big name to be a big man. But it is necessary to get real skill and good knowledge...<sup>90</sup>

However, Lijiang circumstances would have made more formal educational work difficult, and the lack of 'facilities and funds' is corroborated in a report for the region:

<sup>88</sup> Report CIC Likiang, December 31, 1946, INDUSCO Files, Box 16.

<sup>89</sup> Rewi Alley named the Bailie Schools in memory of Joseph Bailie, an American who arrived in China as a missionary in 1891, became Alley's friend in the late 1920s, and advocated and practiced the kind of practical training Alley supported. In 1940, Alley and others founded the first Bailie school in Ganxian, Jiangxi and others in various places in China, but most closed after a short time due to wartime conditions. Alley concentrated his efforts on these schools after 1942. In 1944, Alley and his colleagues moved their most stable school, which had lasted for a year, to Shandan, Gansu, where it remained until it was finally taken over by the people's government in 1953. According to the materials I have, Goullart sent seven 'boys' (the School accepted students aged twelve to twenty) to the Shandan Bailie School between 1945 and 1948; he also sent a few trainees to other, closer places for training. (Alley, *Autobiography*, 179 – 182, 230.)

<sup>90</sup> Ho Jia Jwo, Shantan, letter to Peter Goullart, December 28, 1948, INDUSCO Files, Box 16;

Our educational work in Yunnan has been limited to a training class for office apprentices and to a class for cooperative accountants. This is due to a shortage of funds from abroad assigned to Yunnan...<sup>91</sup>

## Cooperative Federations

As to Goullart's views on the Depot Master's broader responsibilities, once again, his conviction of the uniqueness of Lijiang prevails.

This is from a report on the Tali Depot, then in its third year, written in the spring of 1942, just before Goullart commenced his work in Lijiang. The writer has been describing most of the industry in the county as taking place in the home, as in England prior to the industrial revolution. He goes on:

...It is the task of the C.I.C. to organize these cottage industries on a cooperative basis, to increase production during wartime by improving technical skills where possible, to teach modern business methods of supply and marketing and account keeping and to make possible increased capitalization through loans from Banks during a period of rising prices so that workers are able to produce at all...

...The day is past in the C.I.C. movement when individual cooperatives can stand on their own feet. The order of the day now is federations of cooperatives and joint buying of raw materials and marketing of finished products...It is only by federating our cooperatives and standardizing our products that we can meet outside competition, accept wholesale orders and make it possible for our cooperatives to expand their business.<sup>92</sup>

Goullart was very resistant to the idea of a federation of cooperatives in Lijiang, and was, at the same time, under considerable pressure to embrace the idea. Clearly, the *Gung Ho* higher leadership saw federations as an advanced stage of cooperation, while Goullart, quite rightly I think, felt that forming a federation was too much to expect in the special environment of Lijiang.

At first, he equivocates. In a 1943 letter to Rewi Alley, he writes:

<sup>91</sup> John B. Foster, CIC Yunnan-Kweichow Headquarters, Kunming, letter to Ida Pruitt, February 7, 1942, INDUSCO Files, Box 67.

A Federation is our aim and it will be formed. But you must not forget that we are hardly a year here and that the Treasury started giving loans not yet six months ago. We need a Supply and Marketing Department here much more...<sup>93</sup>

And the following year:

...As regards the federation, we certainly must have one but, first, those two bad co-ops must be eliminated. They are controlled by several unscrupulous members of local gentry but they have much “face” here and will undoubtedly be asked, according to local usage, to be the chief officers of the Federation. In such a case – goodbye not only to all our co-ops here but even to the depot itself. These two co-ops were forced on us by the Co-op Treasury. Had we refused to promote them, they would not have financed the rest of our co-ops. You can hardly realize how diplomatic we have to be here. We retreat at one spot in order to gain at another.<sup>94</sup>

While I am sure that this is a true description of a specific situation, I think Goullart’s real reason for not attempting to form a federation is to be found in a 1945 letter written to a Mrs. Beatrice Braid in Chengdu. Here, he is responding to her inquiry regarding a Lijiang federation:

As a matter of fact, I should tell you frankly that, so far, we have no organized Federation here...

...Likiang is a totally different place from all others in China. All the tailor-made regulations about the Federation, etc. simply do not work here. The reason is that Likiang is an entirely tribal place. These tribes are quite hostile to each other and even members of one tribe are very clannish. All our co-operatives here were formed on the basis of tribe and clan. Each co-operative must consist not only of the members of the same tribe but also of the same clan. If this rule is not closely adhered to, there is jealousy, fighting and final ruin of the whole thing.

...Federations are easy where the population is homogeneous. Here a Federation can be arrived at only by a slow education...<sup>95</sup>

<sup>92</sup> John B. Foster, Yunnan Headquarters Tali Depot Report Spring 1942. Progress of Industrial Cooperatives in Tali, INDUSCO Files, Box 67.

<sup>93</sup> Peter Goullart, letter to Rewi Alley, April 16, 1943, INDUSCO Files, Box 16.

<sup>94</sup> Peter Goullart, letter to Rewi Alley, May 3, 1944, INDUSCO Files, Box 16.

<sup>95</sup> Peter Goullart, letter to Mrs. Beatrice Braid, Chengtu, October 12, 1945, INDUSCO Files, Box 16.



Elsewhere, he writes: “In view of all these differences between tribes and clans, an all-inclusive federation in Likiang is hardly possible but we are trying hard to establish federations within each particular trade...”<sup>96</sup>

It should also be noted that no other Depot in the Southwest Region does much better. In a 1942 letter to Ida Pruitt, John B. Foster writes:

...Yunnan-Kweichow Region has lagged behind the other regions of C.I.C. in establishing federations and Supply and Marketing Departments. Last year, we opened one small federation of 23 weaving and dyeing cooperatives in the country south of Kunming. This federation is now quite well established and seems to be run by the cooperatives who are members...<sup>97</sup>

## **Goullart and the Gung Ho Leadership**

This situation does not appear to change in the southwest in the later years of the *Gung Ho* cooperatives. In my view, though he was right in thinking it, Goullart suffered for his conviction that Lijiang was different from everywhere else and that in many instances *Gung Ho* policies did not fit it. Also, as a matter both of temperament and philosophy, Goullart was not suited to conforming to orthodoxy. Most of all, though, I think that Goullart’s achievements in Lijiang were not of the kind to be valued by the *Gung Ho* leadership. As previously mentioned, the cooperatives were too small, too technically simple, and the whole of the Southwest Region was too remote, while the majority of its people were not Han Chinese. The *Gung Ho* vision of extending industrial cooperatives to assist China centered quite naturally on more central, more developed, less agricultural, areas of the country.

Added to these factors is the matter of Goullart’s political convictions. His Guomindang ties put him at odds with most of the other central figures in *Gung Ho* who were strong supporters of the Communist Party. Indeed, one story has it that Goullart

<sup>96</sup> Report CIC Likiang, December 31, 1946, INDUSCO Files, Box 16.

<sup>97</sup> John B. Foster, letter to Ida Pruitt, February 7, 1942, INDUSCO Files, Box 67.

was sent to Lijiang by Rewi Alley because Rewi felt that Goullart had been brought into the organization by H.H. Kung to spy on him, and he wanted Goullart out of the way.<sup>98</sup>

Though I think Rewi was wrong in his suspicions where Goullart was concerned, they were not surprising in the context of “an ongoing battle between the original founders of the C.I.C. and the supporters of the Nationalist government officials occupying formal C.I.C. leadership.”<sup>99</sup> As early as 1939, a ‘Rewi faction’ existed within CIC, standing against the inherent corruption and factionalism of the Nationalist government as it affected support to the cooperatives. This group considered H.H. Kung only “the least vicious” choice for President of CIC.<sup>100</sup> Moreover, Nationalist government staff withheld funds from CIC cooperatives in the Communist guerrilla controlled northwest whereas “Rewi stood decidedly on the side of supporting the guerillas.”<sup>101</sup> Finally, the Nationalist government periodically captured and executed Communists; at these times, *Gung Ho* organizers in Communist-held areas were not immune.<sup>102</sup>

Nevertheless, while perhaps understandable, it still seems unfortunate that, despite his many invitations and pleas, no member of the *Gung Ho* senior leadership visited Lijiang during the entire period of Goullart’s tenure there. In a letter to Rewi Alley, one of several, he writes:

All our coops are overcome with orders. You must really come here during this coming year. All the coops are waiting for you and will give you such a welcome as you will remember for years.<sup>103</sup>

In another letter, two years later:

<sup>98</sup> Isabel Crook, interview with the author, June 5, 2011.

<sup>99</sup> Marjorie King, *China’s American Daughter: Ida Pruitt (1888 – 1985)* (Hong Kong: The Chinese University Press, 2006), 147.

<sup>100</sup> King, *China’s American Daughter*, 134.

<sup>101</sup> King, *China’s American Daughter*, 143.

<sup>102</sup> Alley, *Autobiography*, 161.

<sup>103</sup> Peter Goullart, letter to Rewi Alley, December 7, 1945, INDUSCO Files, Box 16.

...I shall definitely expect your coming soon. May I suggest November. Then I would be at Euryuen again and would come to Hsiakwan to welcome you. You could see the Butter Coop and then we could come to Likiang together...<sup>104</sup>

And in a June 1947 report, in which, once again, he requests an inspection visit, he offers an additional incentive: “Besides business objectives, a trip here could be regarded as a vacation, to the person who needs it, as Likiang is one of the most beautiful spots in the world...”<sup>105</sup>

In his monthly report for November 1948, Goullart is finally able to record a visit by a Mr. Hsu, who, on the first and only such visit, inspects the cooperatives on behalf of the Central Headquarters. Goullart notes that traveling also with the party are the American Vice Consul in Kunming and his wife, the British Consul in Kunming, and the American Military Attache.<sup>106</sup>

However, because of this failure of a higher leadership member to visit, any possibility of the organization’s understanding the difficulties Goullart faced in Lijiang and what he accomplished there is lost, although he does receive recognition from H.H. Kung, which he greatly values.<sup>107</sup> He also eventually becomes District Secretary of the Southwest Region, while retaining his position as Likiang Depot Master.<sup>108</sup>

And there are further measures of his success. In his 1945 Southwest Field Secretary’s Report, Peter Townsend lists Likiang as one of five “sound cooperative units” out of the twelve depots in the region. He goes on:

Each of these depots has improved the quality of its work in the past year...Reports from Liangshan, Yuki and Likiang indicate that in spite of receiving no capital or direct encouragement from the promotional agency for several years, the cooperatives have maintained a high quality solely

<sup>104</sup> Peter Goullart, letter to Rewi Alley, August 19, 1947, INDUSCO Files, Box 16.

<sup>105</sup> Report CIC Likiang, June 30, 1947, INDUSCO Files, Box 16.

<sup>106</sup> Monthly Report November 1948, INDUSCO Files, Box 16.

<sup>107</sup> Goullart, *Forgotten Kingdom*, 65.

<sup>108</sup> List of Reports for the Southwest Region (undated), INDUSCO Files, Box 67.

by insistence on cooperative principles... The remaining depots in the Southwest have shown a progressive decline...<sup>109</sup>

## Goullart's Assessment of the Lijiang Cooperatives

Finally, this is Goullart's assessment of the contribution of the *Gung Ho* cooperatives to Lijiang, appearing in a 1948 report. From what I know, I take it to be accurate.

Our cooperatives began their work in Likiang in 1942.

At that time there was very little of any Wool Spinning or Weaving here. Very crude methods were used in Wool Spinning. We introduced the foot-driven Spinning Wheel and Broad Loom. Almost every household now has a Spinning Wheel.

Whereas, at that time, only some 100 mule loads of Wool were used a year, the consumption of Raw Wool in Likiang at present is well in excess of 1000 mule loads. Each mule load is about 100 catties.<sup>110</sup>

Besides the cooperatives themselves, who have prospered, hundreds of families have benefited. Spinning and Weaving now are, no doubt, a leading industry of Likiang...

After discussing further cooperative progress by industry, he notes the contribution of cooperatives in areas where people were very poor, and the assistance rendered by the clinic. Finally, he says

Summing up, we may freely claim that it was CIC which transformed Likiang from a purely mercantile town into one of bustling industrial activity, thereby greatly increasing its prosperity...<sup>111</sup>

<sup>109</sup> Peter Townsend, Southwest Field Secretary's Report, 1945 CIC Annual Meeting, May 1945, INDUSCO Files, Box 67.

<sup>110</sup> Catty is a unit of weight measurement; if used currently, it is equivalent to the Chinese *jin* – 500 grams or 1.1 pounds. In Goullart's day, it was a Hong Kong unit of weight measurement equivalent to 604.79 grams. Source: [www.wikipedia.com/Chinese Units of Measurement](http://www.wikipedia.com/Chinese Units of Measurement). Accessed March 27, 2012.

<sup>111</sup> Budgetary Report Chinese Industrial Cooperatives in Likiang, August 30, 1948, INDUSCO Files, Box 16.

## On His Life in Lijiang and Later Years...

Reflecting on his life in Lijiang, Goullart writes:

I had always dreamed of finding, and living in that beautiful place, shut off from the world by its great mountains, which years later James Hilton conceived in his novel *Lost Horizon*. His hero found his 'Shangri La' by accident. I found mine, by design and perseverance, in Likiang.<sup>112</sup>

After leaving Lijiang in 1949, Goullart worked briefly, and not very happily, in Hong Kong. By 1951, he had settled in Malaya, working for the government, doing "re-settlement work among the Chinese."<sup>113</sup> He then worked for a time in Singapore "in the commercial field."<sup>114</sup> In the preface to the last of his four published books, *River of the White Lily: Life in Sarawak*, Goullart explains that, though he enjoyed this employment, "the old longing to work again in the co-operative field could not be suppressed."<sup>115</sup>

Quite by chance I received a letter from an old friend introducing me to a specialized agency of the United Nations. I lost no time in applying for a position of specialist in co-operation and was accepted.<sup>116</sup>

After undertaking short assignments in Malaya, India, and Pakistan, he is finally posted to Sarawak: "...to develop consumer (and ultimately producers') co-operative societies among the local Chinese farmers and rubber tappers as the first step before tackling the Sea Dyaks and other indigenous tribes..."<sup>117</sup> He worked in Sarawak for three years, "on and off" from 1953 to 1961.<sup>118</sup> Peter Goullart died in Singapore on June 5, 1978, never having returned to China.<sup>119</sup>

<sup>112</sup> Goullart, *Forgotten Kingdom*, 218.

<sup>113</sup> Peter Goullart, letter to Elizabeth Selsbee, June 7, 1951, INDUSCO Files, Box 16.

<sup>114</sup> Peter Goullart, letter to Ida Pruitt, December 17, 1951, INDUSCO Files, Box 16.

<sup>115</sup> Peter Goullart, *River of the White Lily: Life in Sarawak* (London: John Murray, 1965), preface page 3.

<sup>116</sup> Goullart, *River of the White Lily*, preface page 3.

<sup>117</sup> Goullart, *River of the White Lily*, preface page 3.

<sup>118</sup> Goullart, *River of the White Lily*, 188.

<sup>119</sup> Emily Mitchell Wallace, "Why not Spirits? - The Universe is Alive: Ezra Pound, Joseph Rock, the Na Khi, and Plotinus" in Qian Zhaoming, ed. *Ezra Pound and China* (Ann Arbor: University of Michigan Press, 2003), 269, footnote 8.

# How Cooperative in Management Were the Lijiang Cooperatives?

## *The 1990s Interviews*

I have not yet dealt with the question of how ‘cooperative’ in management I think Goullart’s 1940s cooperatives really were. To do so, I want first to address what we learned from our 1990s interviews regarding how the 1940s cooperatives functioned in practice. As will be evident, this is more detailed information than I was able to find anywhere in the Goullart materials.

He Jixian, ‘*Gung Ho* Elder’, in an interview on April 13, 1992 described the formation and structure of a Lijiang *Gung Ho* cooperative in this way.

A co-operative needed a minimum of seven members. Each member had to put up some capital – money or tools or equipment as shares. Some of the shares were tools that people invested at a certain exchange rate, because they didn’t have anything else to invest. When they had a certain investment, they asked the *Gung Ho* office for a loan. They would be asked to sign a contract specifying the amount of the loan, the kinds of goods they would produce, how they would meet market needs, and where the goods would be marketed.

Before giving the amount of the loan, the Indusco office would investigate the proposed enterprise, see how much its assets were, then decide whether to give the amount asked or a different amount.

Peter Goullart made the decisions about the loans and how much they should be. He usually made a careful evaluation of the technical level of the enterprise, its resources, the capabilities of the participants. After investigating all this, he would sign for the amount of money needed.

Written into the contract was the quality, quantity of products, future market, the skills of present and possible future members. It was also written that management would be done in such-and-such a way to meet the demands of the market and the production of the products. The contract was suited to the particular enterprise.

We asked if he could give us a specific example:

In the contract in terms of management, they had to write down their plan to improve their tools and machinery so that they could produce better goods, and so on. For example, for the first industrial cooperative of which I was the accountant, I had to write if they had plans to change the old wooden equipment for better equipment, the styles and colours of

products, what better markets they could find. Goullart had already made a study, so he thought the cooperative would not collapse if the workers worked in the ways stated.

We next asked how the cooperatives were organized and managed. These were, to us, the most crucial issues we sought to understand.

All of the cooperatives were democratically run. There were two Boards: a Board of Directors that managed the cooperative, and a Board of Supervisors. Each board ranged from three to five members, depending on the size of the cooperative. The members of the cooperative elected the Boards.

The Board of Directors had a Chairman, and the same for the Board of Supervisors. The Board of Directors was responsible for management. The Board of Supervisors oversaw quality, management, profit – how profit was distributed. For example, if there was something urgent, there would be a meeting of all cooperative members and they would make a decision. The Board of Directors would implement decisions, and the Board of Supervisors would oversee them. It would see how much profit was earned and make it public to cooperative members how the money was spent. There were quarterly members' meetings. Members chose the Boards for three years, but it was very democratic. If the members of either Board were not suitable, they could be dismissed. The same was true of cooperative members: if they were not working, or if they were not producing quality products, they could be kicked out.

At the end of the year, the distribution of the profits would be decided. First, they would see if the accumulation fund had enough money in it for plans for the following year. That was to be thirty percent of the total profits. Next, there was a public welfare fund for the treatment of illness or to help with marriages, funerals, and family problems. That was usually twenty to thirty percent. Third was the distribution of profits (*fenhong*). The division was done according to each member's investment in the cooperative, whether it was tools as money, or money. This was usually thirty-five to forty percent. (The cooperative also had to pay the interest on its loan, but this was done prior to the allocation of profit.) Next came bonuses, according to circumstances. This could be something like clothing, and varied according to performance. *Fenhong* was according to salary, according to production, according to the quantity and quality of products. Salary was paid according to piecework.

We asked if everyone was paid on a piecework basis or if some people were not.

The chairman of the Board of Supervisors, for example, was an ordinary worker, not a cadre who ordered people around. All of the cooperative members, including the members of the Boards, were workers. The

salaries were all paid according to the number of pieces produced. Sometimes members of Boards might be given a small subsidy if management work took them away from production. Also, sometimes there was a small management fee.

So far so good, we thought. But we really wanted to press our informant on the question of how much ordinary cooperative members genuinely participated in decision-making. We asked if there were there any shortcomings in the management work. Was the management really democratic?

The marketing was the responsibility of the Board of Directors. They would take the products to fairs and markets and sell them there. It was up to the Board of Directors. Although the Board of Directors and the Board of Supervisors did good work, they were inclined to consider the cooperatives like their own home. They didn't know much about the outside world, about the quantities to produce, or colours, or what was good quality. Because Lijiang was cut off from the outside, they were limited in what they could do.

We asked about the quarterly meetings:

Usually the Board of Directors and the Board of Supervisors would bring information on production and sales in terms of quality and quantity and make it public; how much money could the products earn? They would let the members decide; they could discuss spending more or less time to do this or that, how to improve quality or quantity; they could bring suggestions to the Boards to let the management personnel know what they should do or should have done.

We asked, then, if the main purpose of the quarterly meetings was to allow the members to bring suggestions so that the Boards could then discuss them and make a decision:

The decisions made by the Boards were not yet the final ones – they were all based on the suggestions of cooperative members, and then the Boards would take the decisions back to the members to see if they could add anything to enrich the decision and then the decision would be made. You must remember that the Boards came from the membership and continued to be ordinary working members.

We asked if the Boards' decisions were ever vetoed by the members.



No, they weren't, because they were made on the basis of members' suggestions.<sup>120</sup>

The following material comes from an interview with 'Gung Ho Elder', He Jiazuo. Unlike He Jixian, who gave us the previous interview, He Jiazuo, as noted, had a degree of personal involvement in a cooperative, which used his family home as its workshop and included various members of his family as well as people from other families. This cooperative has been mentioned above; the family had done dyeing and weaving for four generations. He Jiazuo was a child at the time, thirteen or fourteen years old. As the eldest, he had to help, but he also went to school.

We asked how his cooperative was organized.

A lot of things were governed by cooperative regulations, for example, age of enrolment, percentage of income to go to the accumulation and welfare funds, how frequently members should meet to do 'mutual supervision'.

We asked how often members met:

We were a production cooperative; we didn't touch on political issues. We discussed production issues, sales, marketing, products that sold well, which products we should make more of, new products that might prove successful. All members discussed the issues.

There were thirty people in the cooperative and four teams. There was a Board of Directors consisting of the Director and the leader of each team. The teams were the sock-making team, the spinning team, the dyeing team, and the weaving team. Each team elected a member for a five-year term. Not everybody was willing to stand. There was only one supervisor, the Chairman of the Board of Supervisors. He was to be selected from among non-family members.

At that time, there were not many meetings. A meeting once in six months was pretty good.

We asked about the wages of the Supervisor and Director.

They were also paid by piecework. There were not many meetings. Goullart was busy; he didn't organize meetings. They were just busy getting the work done.

<sup>120</sup> He Jixian, interview with author, April 13, 1992.

We asked how decisions were made.

All the decisions were very simple. The market decided everything. If you couldn't sell the goods, you couldn't eat. The meetings were more about production questions. They were settled by doing market research.

We asked about democracy within the cooperative:

The cooperatives were a product of the times. They were also the product of progressive forces during that period. He considers that they were vital. Without them, many households would have been bankrupt.

We asked, but were they cooperative, democratic organizations? He seemed to be saying that this wasn't important. It was scientific consciousness that dictated everything. In his opinion, democratic management was something else.

If you manage well, if you can sell the products and help the members survive, then it is a good cooperative. If you had a very democratic cooperative, but couldn't sell your products, then its being democratic wouldn't help. Science and technology are most important.

We asked if he thought that democratic management had any benefits? Any shortcomings?

It was not that perfect, because the members in the groups were not highly educated and didn't have good management skills. It was very crude. But this was positive: it did solve the problems of family people that wouldn't have been solved otherwise. This shows that they were successful for the period, a not bad model.<sup>121</sup>

At the time these interviews took place, we were much encouraged by the first interview, which seemed to describe a democratic decision-making process, and disappointed in the second one. These were two admirable men who, during the course of our work with cooperatives in Lijiang in the 1990s, we came to know well. Looking back, it seems to me that our first informant's views may have been coloured by his position as an administrator working at a level above the cooperatives, rather than as an actual cooperator. It seems also that what our first informant has given us – generalizing, not speaking of a particular cooperative – is a fairly standard description of the operation

<sup>121</sup> He Jiazuo, interview with author, April 13, 1992.

of ‘the mass line’, the official formulation of how democracy works within the Party, different from the vision of democracy embodied in cooperative principles. His views may, quite naturally, reflect the years he later spent as a district level Party Secretary. Although our second informant had the advantage of day-to-day contact with a specific cooperative, he was too young to be a cooperative member. Also, the individual 1940s cooperatives differed greatly from one to the other, as we would find was the case in our own later experience.

As to the other interview material I collected, sadly, there is not a great deal of it, and nothing that seems worth discussing here. In 1992, our project was just beginning, and it was 1994 before my colleague and I were able to conduct interviews with other surviving members of the 1940s cooperatives. In retrospect, that two-year gap proved literally fatal to several possible subjects. In truth, however, even 1992 would probably have been late.

### ***Rewi Alley on Gung Ho Cooperative Management***

Finally, I would like to turn to a discussion of Rewi Alley’s memoir ‘*Our Seven, Their Five*’, written by Rewi in 1943, and eventually published twenty years later. In his introduction, Rewi notes: “The story could have been located at almost any of the refugee towns along the unoccupied portion of that railway in Shensi.”<sup>122</sup> The point is that this is a work of fiction rather than a factual account, yet I include it here because, despite its idealized and romantic flavour, to me it conveys the very best of what the 1940s *Gung Ho* cooperatives might have represented. To what degree it reflects reality, of course, I cannot say.

According to Rewi’s account, *Gung Ho* was highly structured, inasmuch as this was possible given the exigencies of war. The cooperative that is the focus of the memoir, the ‘Honan Friends Canvas Weaving Cooperative’, was one of eighteen cooperatives in a small Shanxi village, not far from the Henan border. There was a local *Gung Ho* promotional office in the village, responsible for the eighteen cooperatives

organized as a local federation. Above this was a federation office at the regional level. The local and regional federations supported the individual cooperatives with technical, supply and marketing assistance; federations in different regions were also linked together. At the national level was the *Gung Ho* central office in Chongqing. Strong federations of cooperatives linked together could provide for relatively large-scale buying and selling. In the long run, it was thought, this was what would enable individual cooperatives to survive and prosper. It is important to note, as Rewi Alley does, that wartime conditions meant constant disruptions and ultimately prevented this network from developing very fully.

Cooperative organizers (Goullart's position) were crucial figures in this scheme. They manned the village-level promotional offices and were responsible for the small cooperatives in their designated area. For the 'Honan Friends' cooperative, for example, it is the cooperative organizer who brings together the two groups of people who form the cooperative. One group were weavers from the same village; the other, refugees who met while traveling, had heard about the cooperatives and went to the organizer's office to inquire. The organizer suggests that the two groups combine to have enough members for a viable cooperative.<sup>123</sup> The organizer then helps the group through the process of getting the new cooperative registered with the local county government as a cooperative society and obtaining a *Gung Ho* loan.<sup>124</sup> I will refer to some of the cooperative organizers' other responsibilities – particularly their educational responsibilities – at a later point.

Rewi's description of the *Gung Ho* cooperative's management structure provides a useful reference point. Each member contributed share capital (which could also be skills or equipment); each member had one vote. At the 'Honan Friends' cooperative's inaugural meeting, the organizer first reads the cooperative's constitution then asks cooperative members to elect a chairman, a secretary, and a treasurer as required by the

<sup>122</sup> Rewi Alley, *Our Seven, Their Five: a Fragment from the Story of Gung Ho*. (Beijing: New World Press, 1963), i.

<sup>123</sup> Alley, *Our Seven, Their Five*, 2–3.

<sup>124</sup> Alley, *Our Seven, Their Five*, 3–6.

constitution.<sup>125</sup> Since a central research concern of this thesis is to investigate the degree to which democratic decision-making might have been possible in the *Gung Ho* cooperatives at that time, I would like to look more closely at what Rewi has to say about the role of leadership in the ‘Honan Friends’ cooperative. This question involves both the cooperative organizer and the leadership inside the cooperative. As well, I want to trace any suggestions he gives as to members’ meetings, what they discussed, what they decided.

On the evening before the cooperative is ready to begin working (following its registration, obtaining a loan, digging caves to work in, building looms, and buying yarn), the cooperative organizer, Fu Ya-pin, gets the group together in his office for a final discussion in which, “They talked for several hours and then simply had to go and get some sleep, for most had to be at their looms by daylight...”<sup>126</sup>

At the meeting the next day inaugurating the cooperative, also held in Fu’s office, after the constitution has been read and the chairman elected, Fu gets up, gives the new chairman his place, and sits down among the members. “Fu had attended many such meetings and had learned not to try to dominate them.”<sup>127</sup>

It is significant to me that they held a meeting and talked for several hours, even if it is Fu who calls the group together. Furthermore, the significance of Fu’s change of position is clear in a culture that is traditionally hierarchical. If Fu had, indeed, learned to be self-effacing in meetings, there is more possibility that the members could express themselves and make their own decisions.

Fu also pointed out that they needed to be creative, that everyone needed to put everything he had into the work, that they could not wait to be told what to do, that the

<sup>125</sup> Alley, *Our Seven, Their Five*, 11.

<sup>126</sup> Alley, *Our Seven, Their Five*, 6–7.

<sup>127</sup> Alley, *Our Seven, Their Five*, 11.

organizers and technicians could be expected to help, but to a limited extent.<sup>128</sup> Again, this appears to be a laudable call for participation and for independence.

Fu suggested that all members should take an interest in the accounts.<sup>129</sup> This is important since it means that information is not being confined to a single person. The account books, the constitution and the secretary's minute book were all to be hung on nails on the office wall so that anyone, members and the public, could look at them at any time.<sup>130</sup>

Chairman Chen then asked the meeting for its criticism and ideas regarding a work plan, drafted by the seven weavers, for the co-operative's first month's work. Many questions were asked, but the plan remained pretty much as it was.<sup>131</sup> Here the cooperative has responded to a plan put forward by a majority of its members and has been active in asking questions, whether or not the plan was amended.

As for the chairman of the 'Honan Friends' cooperative, Lao Chen, he is described thus:

He [the coop organizer] realized there was going to be no serious internal trouble with Chairman Chen in charge. There were questions to be settled daily – but Chen was a born leader and able to cope with them with ease.<sup>132</sup>

From the viewpoint of democratic self-management, a "born leader" "in charge" is worrying. However, another incident regarding Lao Chen's leadership methods suggests that he may be, as well, sensitive to encouraging democratic participation in members:

It was not always the chairman who went to cash cheques, and deal with such serious matters. He realized that every member liked to feel the importance of transacting business and handling money. So at times he would talk to the members at supper time – and it would be decided that

<sup>128</sup> Alley, *Our Seven, Their Five*, 12–13.

<sup>129</sup> Alley, *Our Seven, Their Five*, 12.

<sup>130</sup> Alley, *Our Seven, Their Five*, 12.

<sup>131</sup> Alley, *Our Seven, Their Five*, 13.

<sup>132</sup> Alley, *Our Seven, Their Five*, 18.

Lao Wang would go – or Su – or one of the others. There would be a great borrowing of finery for the occasion...The result of this policy was that every member took the greatest interest in every transaction of the co-op, and the chairman led from the rear rather than the front. It was not just the chairman finding business...but of every member interested and active, thinking of ways to make better business for the whole group.<sup>133</sup>

Finally, there are the reflections of a later ‘Honan Friends’ cooperative organizer, Ma Fu-chin, on cooperative meetings:

...He was not frightened of long meetings, knowing well that the peasant minds of older members would have to turn the whole idea over many times and discuss its every angle thoroughly before they attempted it. He also knew that when understanding came, with its resulting benefits, these folk would hold fast to the better way...<sup>134</sup>

Patience and more patience was required. Always the need was patience. Recompense would come every now and then, when someone would speak, and show that a truth had been well and truly grasped. People had to gain confidence in themselves as a first necessity...<sup>135</sup>

Needless to say, there is a condescending attitude implied here which deserves to be criticized. Equally, it is suggested that there is a single truth and that the cooperative organizer is supplying it, top down. However, what I still find encouraging is the fact that there were long meetings, that an issue was being thoroughly discussed, and that cooperative members were not going to do something unless they were first convinced of its appropriateness.

And, finally, to summarize. I tend to think that the view of our second interview subject provides an apt assessment of the 1940s *Gung Ho* cooperatives in Lijiang. It is a view with which I suspect Peter Goullart would agree: that in wartime Lijiang, the cooperatives served a vital function in helping people survive. Whether a cooperative operated as a group of equal participating members was less important than whether it was economically successful. How equitable relationships were within a cooperative probably varied among individual cooperatives. Nazi cooperative traditions, which we

<sup>133</sup> Alley, *Our Seven, Their Five*, 47–48.

<sup>134</sup> Alley, *Our Seven, Their Five*, 92.

<sup>135</sup> Alley, *Our Seven, Their Five*, 93.

would explore in the 1990s, may in the 1940s have made the Naxi more likely to work cooperatively than was the case for other ethnic groups.

And in Rewi's memoir, though some of the methods used by the cooperative organizers appear well designed to promote equal participation in a cooperative, read from another perspective I find it hard to escape the prominent role of leaders.

Interestingly, in a 1942 letter from John B. Foster to Ida Pruitt reflecting on problems in the Southwest Region's cooperative work, we find these comments:

One of the difficulties of the C.I.C., it seems to me, is that it is a movement from above, rather than from below as in western countries...

...I feel that many of the people in our Headquarters try to do too much of the record-keeping themselves instead of training the cooperative members to do this accurately. As a result they keep busy with too much detail work and cannot see the forest for the trees. In this respect their psychology is a bit mandarin-like as they think peasants and workers too simple-minded to manage their own affairs.<sup>136</sup>

These observations establish, I think, a highly suitable bridge to a consideration of cooperative management in the 1990s Lijiang cooperatives.

<sup>136</sup> John B. Foster, letter to Ida Pruitt, February 7, 1942, INDUSCO Files, Box 67.



## Chapter 4.

# The 1990s Lijiang Cooperatives: The Research Phase

### Introduction

The genesis of the Lijiang Cooperatives Project predated my arrival at Simon Fraser University in 1991 hence I know of it only what I heard at second hand. I was told that representatives from the Yunnan Academy of Social Sciences (YASS) were touring Canadian universities looking for interested scholars wishing to engage in a collaborative research project. The delegation had met with defeat until it reached Simon Fraser, the last stop on its itinerary. Its members were discouraged, expecting to go home empty-handed. For their part, the Simon Fraser faculty members who met the group couldn't believe their luck: how could academics at the other universities have let such a prize escape? An agreement was reached to the great satisfaction of both parties, with a single stipulation made by Simon Fraser: that the project must be situated in Lijiang.

Leaving aside for the moment the many academic reasons justifying this choice, the SFU stipulation made perfect sense as far as I was concerned. In 1989, the year the project was first discussed, the Lijiang that fills the pages of Goullart's *Forgotten Kingdom* with its tea and wine shops, formidable women shop keepers, brigands, caravan men, and Tibetan merchants, though not unchanged, retained its strong appeal. It was still a place of endless beauty and fascination. That Goullart should have been so enchanted by it seemed entirely understandable. The town was also, relatively speaking, almost as remote and inaccessible as in the past. Though getting there no longer required a weeks-long trip by caravan, the narrow, precipitous mountain roads made the two-day minibus trip exciting, and occasionally terrifying. The deep valleys visible from the road

were littered, as in Goullart's day, with the carcasses of heavily laden trucks that had gone over the side. In 1983, when I first visited, Lijiang was closed to foreigners; Chinese friends I questioned had barely heard of the province, let alone of a small and distant town within it, however remarkable.

To make fully clear what will follow, it seems necessary to convey some flavour of the Lijiang of the 1990s. This may also help to explain our strong commitment to the area and its people, which, in my view, played an important role in our research.

Yunnan is a province of immense geographic diversity and ecological richness, home to more than half the plant species in China. In the Lijiang area, there are approximately 3,000 species of flowering plants, among them 650 kinds of azaleas, primroses, camellias, lilies, rhododendrons, magnolias, orchids, and primula; 400 types of trees; and over 600 species of medicinal plants.<sup>1</sup>

Lijiang County is situated in the northwest of the province, in picturesque countryside in the foothills of the Himalayas. At an elevation of 2,400 metres, Lijiang town nestles beneath 'Jade Dragon Snow Mountain' towering to the north, its thirteen peaks making up the highest mountain range in Yunnan. Not far away is the historic town of Shigu and the 'First Bend in the Yangtze River', famous in local folklore. (At this point, in reality, the river is a tributary of the Yangtze known as the Golden Sands River or *Jinsha Jiang*.) Lijiang Old Town, called *Dayan*, is the oldest urban center in China in which the wooden buildings constructed in the Song and Ming dynasties are still standing. There is no motorized transport permitted in *Dayan* and the only wheeled vehicles within the old town are bicycles and carts. In 1991, *Dayan*, together with the rather nondescript adjoining new town, had a population of 60,000 people of whom the great majority belonged to the Naxi ethnic minority.

One of the smallest of China's fifty-six ethnic minorities, the Naxi people has a long and proud history and a unique traditional culture. The Naxi migrated from eastern Tibet to Lijiang County beginning in the first century A.D. In return for supporting the

<sup>1</sup> Stephen Mansfield, *China Yunnan Province: The Bradt Travel Guide*. (Bucks, England: Bradt Travel Guides, 2001), 147.

Mongols at the beginning of the Yuan Dynasty in the thirteenth century, the Naxi chieftain, from the Mu clan, was made governor of Lijiang. The Mu clan's allegiance to the imperial throne continued through the Yuan and Ming dynasties and brought the Naxi independence that allowed their culture to develop and flourish.<sup>2</sup> Naxi culture centers on a shamanist religion known as *Dongba*, derived from Tibetan Bon religion and featuring a pictographic script in which its sacred texts are written – the only remaining living pictographic script in the world. The religion, the script, and the scriptures have been of considerable interest to Western scholars since the late nineteenth century.

As another significant aspect of their culture, the Naxi like to claim a distinct classical music tradition, which, they say, dates from the Tang Dynasty. The musical instruments and the music have been handed down through families for many generations. In the 1990s, the most famous group of musicians already had an average age of eighty. Efforts were being made to bring in younger people, but it wasn't clear whether or not they would be successful.

The Naxi are also intriguing because of the still evident matrilineal roots of their culture. The Mosuo, who consider themselves distinct from the Naxi but who are officially categorized as Naxi, have retained more of the traditional components of this shared heritage. Among the Naxi as we encountered them in 1991, however, the gender roles were nonetheless very different from those of the patriarchal Han (Chinese) majority culture. Naxi women did everything, from the heaviest physical labour in the fields to managing the family shop and holding the family purse strings. You seldom saw a Naxi woman sitting down, even for a moment. Han men, we were told, valued Naxi women as brides because they were so competent. Due to the industriousness of their women, Naxi men were freed to paint pictures, play musical instruments, write poetry, grow flowers... We once asked a Naxi woman whether this seeming inequity didn't bother her? Wouldn't she prefer a Han man as a husband? "Oh no," she said, "We love our husbands. They are so nice, and so good to us."

<sup>2</sup> Jim Goodman, *The Exploration of Yunnan* (Kunming: Yunnan People's Publishing House, 2000), 375.

*Dayan* is a town of narrow old stone streets paved with giant stone blocks extending as far down into the earth as they are long, and worn perilously smooth by hundreds of years of foot traffic. When dry, they are not hard to walk on, but should it become the least bit wet, they are hazardous. Beside several of these streets run small canal-like streams flowing from a spring-fed lake at one end of the town and crossed by ancient stone bridges. The adults we met talked of drinking from and fishing in the streams as children, but by the time we arrived, the streams were no longer pristine, used for washing vegetables and clothes instead. In the centre of the town is a square – meeting place, landmark, and market. In 1983, there were a few tables there, bearing local produce and handicrafts for local consumption; by 1991, you could see the beginnings of an awareness of tourism in the goods available. On one of the central streets was a simple outdoor early morning vegetable market with home-grown vegetables set out on the ground, the Naxi women selling them, in traditional dress, sitting cross-legged on an assortment of blankets and cushions.

The houses were traditional Naxi courtyard houses with wooden beams, stone and whitewashed adobe walls, and tile roofs. There were rooms on three sides of the courtyard, a wall with a gate on the fourth side. Inside the stone flagged courtyard was a profusion of plants, flowers, and miniature trees, in big ceramic pots. There were usually birds in cages, goldfish, a dog, and a cat or two.

In 1991, life was still lived outdoors. All meals were eaten in the courtyard at small, square tables, with narrow, low benches on each side. One of the first research skills you had to master was adjusting your position to that of your partner on the bench; sudden movement by either person would result in the other ending up on the ground.

The climate was, and is, glorious. Cold in the evenings and early morning, the sun keeps you warm for the rest of the day, almost all year round. (We were advised to stay away between June and August, when monsoon rains made the roads impassable.) Charcoal braziers were the only heating available; in the evenings, everyone gathered around these in the courtyard until bedtime, when they were extinguished and left outside.

But much as we liked the town, it was the villages and the countryside around *Dayan* to which we were drawn. Countryside houses were built in the same style as

those in the town but, with more land available, the courtyards could be much bigger. Constructed of red adobe, the colour of the earth, they were not whitewashed, but their ends were painted vermilion, which, in time, weathered to a lovely pale pink. The fields surrounding them were bright green with rice shoots, yellow when the canola flowers bloomed, and white with blossoms against the black trunks of fruit trees. Curiously, in some places along the routes we drove, we could also see palm trees and even cacti; driving on the cobbled road along the *Jinsha Jiang*, we changed elevation sufficiently to find oranges and mangoes. In the fall, grain was stooked in the fields, and we drove over it on some roads, helping with the threshing process.

Meetings in a village always ended with a meal, the food prepared from local ingredients. Not surprisingly, Naxi cuisine includes many wild vegetables gathered in the forests and mountains. Pork is home grown and slaughtered, hams hanging from the rafters. Yunnan ham is famous, similar to Italian or Spanish ham. The Naxi also eat a goat's milk cheese, which is usually fried and served either salty or sweet. Another local specialty is pork liver, which is inflated, dried, then cooked and sliced thinly; also 'white cloud beans' – large, tender, and delicious. A traditional Naxi craft is working with copper, and every family has a large copper hotpot for use at home and for picnicking. In the evenings, we might drink *Yinjiu* (a plum wine), as Goullart did, and always, before a meal, there were snacks and tea. Sunflower seeds were a constant, walnuts less so, and sometimes in the right season we were served slices of a wonderful fruit growing in the courtyards that looked like a small melon but tasted of citrus.

On the road, we depended on our drivers<sup>3</sup> to negotiate meals. Restaurants had open kitchens where all of the vegetables and meat available to be cooked for a particular meal were displayed – live fish in water, chickens still walking around at the end of a

<sup>3</sup> The field research we did in the 1990s would not have been possible without the caring and knowledgeable assistance of our Academy drivers. Their expertise kept us safe on the roads, no mean feat. Equally important, their long experience supporting Academy research teams enabled them to establish relationships easily in villages and garner useful information. On project ecotourism trips, they were infinitely helpful in every possible way, carrying belongings guests could not manage, treating minor injuries and illnesses, climbing mountains, lighting fires, cooking, kibitzing, even sleeping in tents when required, with initial grumbling and eventual enthusiasm. They became valued comrades and friends.

string. The trick we never quite mastered was to know what should be stir-fried with what, so, wisely, we didn't try; we would, instead, wander off, stretch our legs, and return to drink tea and bask in the sun.

Needless to say, the greatest attraction of the villages was not the scenery or the food but the research and the people – so, on now to academic matters...

## The Project

This is a quotation from a project document written in 1995:

Lijiang Naxi Autonomous County is 112 kilometers wide and 151 kilometers long. Mountainous terrain covers seventy percent and flat plains only five percent of the land area...There are approximately 188,000 Naxi living in Lijiang County and they represent about fifty-eight percent of the county's total population of 325,000. The remaining people are Han, Bai, Lisu, Pumi, Tibetan, a total of twelve ethnic groups living within the county. Peoples of the minority nations constitute approximately eighty-three percent of the total population. Lijiang is located about six hundred kilometers from the provincial capital Kunming and has derived comparatively little benefit from economic growth in coastal and central China. Through the 1940s, Lijiang was a site for the *Gung Ho* industrial cooperative movement, which had been established as part of the anti-Japanese war effort. The mining, light industrial, and handicrafts cooperatives established were very successful, and most existing light industrial enterprises in Lijiang County trace their origins to the *Gung Ho* movement.<sup>4</sup>

In 1991 the Yunnan Academy of Social Sciences and the David Lam Centre for International Communication at Simon Fraser University approached IDRC concerning a joint study of the prospects for similar cooperatives at the existing stage in China's economic reforms. The original research proposal presented to IDRC in 1991 outlines the general objectives of our joint research as follows:

To investigate prospects for income-generating development projects in Lijiang which will facilitate cross-cultural cooperation and communication

<sup>4</sup> Narrative Final Report on the Project 'Cooperative Development (Yunnan, China)' to the International Development Research Centre (IDRC; 1995).

between the various ethnic communities in the region through development of existing and new cooperatives.

To investigate the possibilities of establishing joint cooperative ventures between Canadian cooperatives (including Native peoples' self development projects) and cooperatives in Lijiang.

To further develop the research and organizational capacities of the Yunnan Academy of Social Sciences, the SFU Centre for International Communication, and the relevant government and cooperative institutions in Lijiang to do effective collaborative development research.<sup>5</sup>

The first research task, then, was to test the assumption that because there had been *Gung Ho* cooperatives in Lijiang in the 1940s, there might be an interest in re-establishing cooperatives as a means of economic development in the 1990s. A further assumption to be investigated was that traditional forms of cooperation existed among the Naxi that had helped to support cooperative development in the earlier period and would do so again in the 1990s. The other two project components were an integral part of the primary goal, equally interesting and significant.

## **Why Cooperatives?**

The SFU team had a long-standing interest in cooperatives. The cooperative culture in Canada has a significant history and is still strong, so it is not surprising that we had been influenced by it. One of our members had worked for several years in a well-known and excellent worker's cooperative in Vancouver to fund his studies at the university. Others had been members of consumer cooperatives. Many of us banked at credit cooperatives; if we had not lived ourselves in Vancouver's housing cooperatives, we had friends who lived there. Aside from practical experience, we were drawn by a philosophy. We believed strongly in cooperative principles – in people participating as equals in making the decisions that closely affect their lives.

Underlying the project, also, was a conviction common to both the YASS and SFU teams that is not completely spelled out – namely that Lijiang County was very poor,

that it was imperative to do what was possible to alleviate this poverty, that cooperatives might offer an appropriate, equitable, grass-roots-level means of doing so, and that, if successful, this model could be replicated elsewhere in the province.

A statement from a 1995 project document elucidates this point:

Like much of the rest of Yunnan province, Lijiang County is predominantly rural with an agrarian economy based on forestry, animal husbandry, and agricultural crops. The county is very poor and its government lacks funds for desperately needed education and health care programs. The average household income in the county is approximately \$400 Canadian per annum<sup>6</sup>, with many households falling short of the \$360 Canadian per annum that has been set as the official poverty line. 40,000 people live in a state of semi-starvation...<sup>7</sup>

## The Project Teams

Among our YASS colleagues, of a team comprising four to six core members, four were Naxi from Lijiang; three of the four were members of the Academy's Minority Research Institute with personal experience, their own and their families', of the difficult conditions which many people endured in Lijiang County. All retained close ties to Lijiang. Improving the lot in life of the Naxi, of the other minority peoples of Lijiang County, and, indeed, working as they did in a provincial level organization, helping to further the economic fortunes of their underdeveloped province was a deeply felt commitment for all of them.

As regards the six-member Canadian team, one of us was born and raised in China, five of us were fluent in Mandarin Chinese, and all members had a long involvement in China and Asia. We, too, had a moral investment in the project. I believe this sense of mission had an impact on the project, which had both positive and negative aspects.

<sup>5</sup> Appendix to 1992–1993 Report on the Project 'Cooperative Development (Yunnan, China)' to the International Development Research Council (IDRC).

<sup>6</sup> All dollar values used with respect to this project are expressed in Canadian dollars.



## The Funding Agency

The mandate of our prospective funding agency, the International Development Research Centre of Canada (IDRC), meshed well with both teams' interests and convictions. Established by an act of Parliament in 1970, IDRC aims to:

finance and advise researchers and innovators in developing countries, and build the skills that will make it easier for them to solve their own local problems. Broadly speaking, the Centre aims to reduce poverty, improve health, support innovation, and safeguard the environment.<sup>8</sup>

The two SFU faculty members who initiated the project first approached IDRC to ascertain if there might be interest in a cooperative project in Lijiang in February 1990. They had met with members of YASS in Kunming in December 1989 and were able to present to IDRC a document detailing the agreement reached between SFU and YASS and including a draft project proposal. By April 1990, the proposal had been passed from IDRC's Urban Development Program, which declared itself unable to fund the project due to a declining involvement in China, to the Economic Policy Program. It took time, but on Monday November 18, 1991, an IDRC memo recorded the fact that the IDRC agreement funding the project had been signed.<sup>9</sup> The project's official title was 'Cooperative Development (Yunnan, China)' and it was to receive a total IDRC contribution of \$161,555 CAD, of which \$113,438 CAD was to be disbursed to Simon Fraser University and \$48,117 CAD to the Yunnan Academy of Social Sciences. The project was to commence on April 29, 1992 and last until October 29, 1993.<sup>10</sup>

Further project funding for a second phase was applied for and received for the period between 1995 and 1998. Though approximately \$500,000 was requested, due to its own internal budget constraints, IDRC was able to provide only \$150,000. That it provided this amount in the circumstances was a measure of the organization's

<sup>7</sup> Proposal to the Canadian Cooperative Association (CCA) for Supplementary Funding for the Project 'Cooperative Development (Yunnan, China), 1995.

<sup>8</sup> IDRC Briefing Book, 2012 edition, [www.idrc.ca/briefingbook](http://www.idrc.ca/briefingbook) (accessed January 9, 2012).

<sup>9</sup> IDRC Memo, November 18, 1991.

<sup>10</sup> IDRC Budget Summary Review, November 7, 1991.

wholehearted support for the project. Additional funding to bridge the gap between phases and supplement IDRC funding for the second phase was sought, successfully, from the Canadian Cooperative Association and elsewhere. Thus, the project had an effective life of almost seven years.<sup>11</sup>

## **The First Canadian Project Team Meeting**

As with the previous chapter, before discussing the substantive issues that are of interest to me here, I wish to build a picture of the process involved, which I consider highly significant, and of the small cooperatives eventuating from it.

The first meeting of the SFU project team, to my knowledge, took place at the university on February 10, 1992, to begin planning for the project's initial research visit to Lijiang in April. According to the project proposal, the project teams would jointly investigate traditional forms of cooperation among the Lijiang County national minorities and the question of whether or not there was local enthusiasm for a new era of small cooperatives as a means of poverty alleviation. If this positive sentiment appeared to exist, our visit would be followed by a return visit to British Columbia by the YASS team, with the purpose of learning about the Canadian experience with cooperatives. At their request, and related to the project's second objective, we would also introduce our colleagues to Canadian First Nations peoples. The interest of this meeting is in considering what our concerns were at that time, having as yet had little or no experience of Lijiang or of working as a team with Chinese colleagues.

Team members emphasized that we wanted to consider history, which was of great interest as well to one member of the Chinese team, but we wished to place it within the broader context of an anthropological, sociological study. Part of looking at history would be to gather as much information as we could on the 1940s *Gung Ho* cooperatives. We were interested in building on traditional ways of doing things and in the preservation

<sup>11</sup> Author's Field Notes, 1992. (The notes cover meetings in Vancouver on February 10 and 13, 1992; a Lijiang consultation visit February 25 – March 4, 1992; and a Lijiang Research Trip, April 9 – 29, 1992), 19–24.

of culture. If there was a desire to establish new cooperatives, we wanted to be sure that they were independent, locally based, and democratic – not controlled by local cadres. What kind of cooperatives might be possible? We wondered about research methods, and what approaches we should use in the field. We thought that there should be a division of labour among researchers to allow for specializations and areas of concentration. There would be some areas that the Chinese team could research for all of us, without the requirement of our being present. We could do the same as regards cooperative development in Canada. One member suggested that we needed to survey the existing economy in Lijiang County, and that it should be possible to obtain five year plans at the local level and county statistical year books for this purpose. We felt that we wanted to visit a spectrum of the county's national minorities to get a sense of the cultural differences among them.

We were also very eager, if possible, to avoid the long official introductions (*jiandan jieshao*), which were, at that time, a feature of doing research in China; we had all had experience with reams of statistics which turned out on closer examination to raise more questions than they solved. And we hoped not to enter villages with a large retinue of officials and hangers-on – while being aware that both situations were almost inevitably going to arise.<sup>12</sup>

Since I was shortly to visit Kunming and Lijiang to confer with the Academy on final plans for the research trip in April (fortuitously tied to other work in the region), I had a further meeting in Vancouver with the project's originators. At this meeting, our primary topics of discussion were how to ensure that we were doing collaborative research – how to build time for Canadian – Chinese exchange within the joint team; how to avoid being seen as outside experts and providers of money; how local people could participate in decision-making, and how to keep local cadres from dominating meetings; how to investigate needs, rather than meet people with already formulated ideas for

<sup>12</sup> Field Notes, 1992, 1-4.

cooperatives; how to arrange the trip logistically so that the research plan would accommodate the different interests of all members.<sup>13</sup>

## **SFU-YASS Research in Lijiang County, April 1992**

I will turn now to what I view as significant from this first research experience in Lijiang. The first visit of the full Canadian team to Lijiang and the subsequent visit of the Chinese team to British Columbia, were, in my view, decisive in shaping the project for its duration.

Meeting together soon after we had arrived in Lijiang, the teams decided that the topics to be pursued would be: forms of economic organization (cooperatives, enterprises), culture (traditional methods of cooperation, differences among ethnic cultures) women's issues, education, the environment (ecology, forestry), and tourism. The rationale was that, though the focus of the research was the feasibility of establishing new, small cooperatives based on the *Gung Ho* tradition, knowledge of these other subject areas was a prerequisite. As previously noted, researchers' areas of interest and expertise were also a factor. The environment and tourism were included because of concerns with sustainable development and because forming a network of small tourism cooperatives was high on our list of what might be possible. The group agreed that it would sometimes make sense for everyone to be involved in a visit; at other times small groups would each go their own way to gather information on a specific topic. Topic-specific groups were formed, each group having Chinese and Canadian members. The group was similarly divided for the two different itineraries for the last part of this first phase of our research collaboration.<sup>14</sup>

Of these topics, I consider those most relevant to this thesis to be: forms of economic organization, traditional methods of cooperation, and at the base of it all, collaborative research between two distinct academic cultures.

<sup>13</sup> Field Notes, 1992, 5–6.

<sup>14</sup> Field Notes, 1992, 26–27.

## **Collaborative Research**

I wish to start with the issue of collaboration, which will be a recurring theme, crucial, in my view, as itself an instance of cooperation.

### ***Preparations for the Research***

The extent of the Academy's research preparations prior to our arrival strikes me more forcibly now than it did at the time. Three young team members, plus two seconded to help temporarily, were charged with visiting and investigating sites and making arrangements. Under the Academy's practice of requiring a newly recruited member to work in the field for the first year, one of the team had devoted most of a year to her research, while working with the County Economic Commission to gain experience. Two others made several trips collecting materials. Another (one of the temporary recruits) worked with the Yunnan National Minority Languages Commission, while researching education. The other was employed by the Yunnan Science and Technology Commission. Each of them was responsible for writing a report on his/her research. These were later compiled and presented to us as what we came to call 'the Blue Book' – for the colour of its binding.<sup>15</sup>

### ***The Research Plan***

At the first joint team meeting on April 10<sup>th</sup>, the young people outlined our itinerary from our arrival in Lijiang on April 8<sup>th</sup> to our departure from Lijiang on April 27<sup>th</sup>, each in turn describing the parts of it he or she had arranged, why the place had been selected, and what we could expect to find there.

A brief summary will provide background for what follows. First was Jinshan Township, a Bai township where we would look at town and township enterprises – “perhaps the best off place in Lijiang Prefecture.”<sup>16</sup> Here we would meet Yang Peihua, a

<sup>15</sup> Field Notes, 1992, 20.

<sup>16</sup> Field Notes, 1992, 20.

party member and natural village<sup>17</sup> head, who started the first peasant construction company of which he was now the manager. The Chinese team felt that it was important to meet him because he was not just a successful entrepreneur: he also had the ability to unite his village behind this enterprise. Then we would visit Tai'an Township, a poor Yi/Naxi township, restricted in what it could grow by the high altitude, where Naxi culture had been well preserved – one reason for going there. The village had become self-supporting by exchanging potatoes for grain so that villagers could feed themselves, another reason for visiting, since this was a method which could be propagated for other high areas. We would go next to Yulong, Baisha, and Longquan. This was an area with rich resources, underdeveloped at the time – and in fact less prosperous than it had been historically. The Chinese team considered this area very promising, particularly for tourism development, due to its natural beauty and its prominence in Naxi culture – a famous temple is located there. Copper and leather production originated in the villages of this township, and it was the site of a 1940s *Gung Ho* cooperative. One of the villages was the former home of Joseph Rock, well-known botanist and Peter Goullart's friend. There was also a plan to visit one other village near Lijiang town, Hongwen village (*Hongwencun*), with the purpose of comparing agriculture in the suburbs with agriculture in more distant areas. This was a village with surplus labour, unlike many villages in the area.

We also heard an introduction to enterprises in Lijiang town, of which we could select the ones we wanted to visit – or split up and visit all of them. The Pioneer Cake and Pastry Factory was a collective with 100 workers. The original investment was partly from the county, partly from the neighbourhood; the profits went to both. The Leather Factory was a former *Gung Ho* cooperative that had been incorporated into a

<sup>17</sup> A note on rural administrative structure in the 1990s: A **natural village** (*zirancun*) is the smallest grouping of rural residents living together. A villager has his/her household registration in the village and ownership rights to village land. An **administrative village** (*xingzhengcun*) is the lowest level of rural administration. If a natural village is large, it may also be an administrative village. In a mountainous region with many small natural villages, the administrative village takes in several natural villages to comprise a unit large enough to support a village administration: a branch of the Chinese Communist Party, a village committee, and a villagers' representative assembly. **Township** (*xiang*), **county** (*xian*), and **prefecture** (*diqu*) are successively larger and higher-level units of rural

factory, now a local government enterprise. There was also a carpet factory, a national minorities clothing factory, a textile factory, and a small collective that made Naxi *baba*, a famous local pastry.

For the last period of the research, we were to visit communities with inhabitants from four ethnic minorities. Group 'A' would cover the Lisu and Pumi; Group 'B' the Yi and Tibetans. Group 'A' was to go to Shigu on the Yangtse River, where the Chinese team felt the local people were doing a good job with township enterprises. There we would see two villages, basically Lisu, with some Pumi. We would then go to Labazhi, comprising Lisu and Han. The Lisu there were Christian, a point of interest. The village was also famous for the fact that everyone was literate; this was quite unusual among the Lisu. In terms of education, the Chinese team considered this one of their most interesting examples. Shizhi had sixty Pumi households. Among recognized minorities, the Pumi was one with a very small population; this village counted as having a concentrated Pumi population. Liming and Liguang contained the only virgin forest in Lijiang County. There was only one administrative village with electricity. The county town was Judian, known locally as a small Hong Kong – a centre of trade for the Naxi and several other ethnic groups. In this county, we were to investigate the development of remote areas.

Group 'B' was to go first to a Tibetan village and two rather poor Yi villages. Their base was to be Daju, one of the most populous towns in the northern part of the county, with a good climate, making it possible to grow fruit and peanuts. The group would then go from Daju to Minyin and from Minyin to Baoshan. Parts of this route would be covered on foot. This route had more beautiful places and more places appropriate for tourism than Group 'A' s route. The Chinese team felt that the people along this route were the ones most needing help and that, at the same time, there was potential here for starting cooperatives. There was still a lot of hand weaving. Cotton

administration. A township is made up of a number of administrative villages, a county of a number of townships, and a prefecture of a number of counties.

and silk were once both produced in the area, and one of Peter Goullart's mines was in the vicinity.<sup>18</sup>

### ***The Teams Discuss the Plan***

During the subsequent discussion, the Canadian team argued once again for the value of the group's dividing during each visit in order to cover more ground. In Jinshan Township, the construction company manager, Yang Peihua, was to speak for two-and-one-half hours. The Canadian group thought it would be better for some people to listen while others gathered information on other subjects. They also felt that more could be gained from interviewing people in smaller groups. Some suggested that there was too much time devoted to enterprises and not enough focus on cooperatives. Where the meeting with Yang Peihua was concerned, the Chinese team argued for flexibility, saying that they could not be sure what we would find until we actually arrived there. The reason for this, we knew, was that Academy scholars could only request local officials to make arrangements as specified; the result might or might not be what they had envisioned. Perhaps the introduction would not be that long. At any rate, they felt that it was important that everyone should attend that part of the meeting, dividing into smaller groups afterwards. Once we were there, it would be easy to find, for example, a woman to talk about women's issues.<sup>19</sup>

We talked about small groups and how they should be organized. Should the groups and the topics be fixed, or should topics change as places dictated with people changing groups accordingly? We agreed that changing topics and people might be useful but was certainly more cumbersome, and that a person who wanted to stay with one group should be able to and a person who didn't want to change topics should not have to. One of the Chinese team members described the way Chinese researchers would handle this situation. He felt that the group should organize itself on the basis of the expertise of people and the needs of the project. We should identify task areas – for example, enterprises, cooperatives, women's issues, and education. Then we should fit

<sup>18</sup> Field Notes, 1992, 19–26.



people's expertise and interests to the tasks. Each person should get everything he or she could in the field so that if, for instance, your interest was in the environment but you had an opportunity to gather information on women's issues, you would do so, and bring it back for the project and the person who was interested. You would get the information at the time and divide it up later. The issue was not resolved, and it was left for further discussion.<sup>20</sup>

We discussed the distinction between enterprises and cooperatives. This discussion appears significant to me now, though it did not at the time. One of our team members suggested that though town-and-township enterprises were very interesting, he could not see what they had to do with our research. The response was that township enterprises covered everything down to individual enterprises. Our cooperatives, if any were started, would be town and township enterprises. A Chinese team member confirmed that cooperatives would be classified this way. Were we then interested only in those enterprises that were or could be cooperatives? A Chinese team member pointed out that the carpet factory she had mentioned made carpets with Naxi pictographs that tourists found very attractive – but it was a state enterprise. Did this rule it out in terms of our project? No, was the answer, because it was connected with tourism. Another Chinese team member suggested that the purpose of the research was to find new modes of cooperation most suited to the place and the particular national minority, so we should be open-minded on this issue. But some members of the Canadian team felt that there was an international understanding of cooperation with two fundamental principles that must be met: ownership by the workers who work in an enterprise and democratic management. Another member suggested that, although this was true, these principles could be a goal to work towards, rather than being established from the beginning. The Chinese team felt that in the area of tourism, in particular, it was important to be flexible. They considered tourism to be an especially crucial and likely area for the project, since, they said, only one percent of the region's tourism development was then in the hands of the government. What was being done in tourism, people were doing, often as individual

<sup>19</sup> Field Notes, 1992, 20.

enterprises. Considering only cooperatives would be too narrow. Possibly a network (or cooperative) could be formed, for example, of individually owned restaurants? Such a cooperative could, at the very least, provide for pensions and benefits.<sup>21</sup>

What surprises me greatly, now, is the degree of uncertainty evident in this discussion on the part of both teams – but especially the Canadian team – over how we defined a cooperative and whether this was even really a project about cooperatives. Yet, as the evidence will show, our uncertainty was not so surprising, given the ambiguity and complexity of the economy at the time.

### ***Further Discussions***

Over the next several days, as we continued our visits, Canadian team members observed that we seemed to be in too passive a position. Rather than being able to conduct interviews, we were receiving briefings. We were being given a lot of unnecessary information without being able to influence the proceedings. We speculated that, as mentioned above, the problem resulted at least in part from differences of opinion between the Academy and the local government; the program was often not what the Academy had proposed.

At our next meeting, the Canadian team suggested compiling questionnaires for each subject area. We thought this would help focus discussion toward our ultimate question: the feasibility of forming cooperatives. We thought that we should aim to hold semi-structured interviews; so far, our information was too scattered and lacked depth. One of the Chinese team members felt, however, that if we were to use interview techniques, the villagers would feel that we were behaving like the police, or reporters, and we would lose the natural and genuine quality of our associations with villagers that had characterized our activities to that point.<sup>22</sup>

<sup>20</sup> Field Notes, 1992, 26–27.

<sup>21</sup> Field Notes, 1992, 27.

<sup>22</sup> Field Notes, 1992, 35–36.

## *An Experiment*

The following day, we tried an experiment. For a village that was a model for agricultural development (Tai'an), we decided to divide into three groups, broadening the topics, since we felt they had previously been too narrow. The topics were to be: agricultural production and technical innovation; forestry; women and education. First, though, there would be a discussion with everyone together on forms of cooperation. To avoid our research seeming too much like interrogation, the Chinese team gave the village leaders all of our questions ahead of time. I recorded in my notes that I thought this might not be a good idea, and the next day, that it had indeed not worked, in that setting at least. The approach did seem to be too direct. I concluded that we should try to stick to one-hour introductions in our large group and that the information we wanted would probably come from small group sessions, approached less directly.<sup>23</sup>

Our next meeting summed up the experience of the first research period, prior to separating for the two different itineraries. The Canadian team suggested small projects that seemed feasible on the basis of the research to that point. A member of the Chinese team commented that he was delighted to see “that the future looks more and more concrete and more and more possible,” complimenting the Canadian team who, he said, unlike Chinese intellectuals, were not all talk, but made specific proposals. He felt these proposals had significance well beyond the particular project.<sup>24</sup>

Take, for example, day care: if a family has no old people, the only alternative is either to carry children to the fields or to tie them up, as in the example we saw at Tianhong. Under the commune system, there was day care, but it was abandoned in the 1980s. We can help to raise the educational level so that the national minority peoples living in the countryside will have a better chance of receiving an education equivalent to city children. One of the reasons they lag behind is that they don't get the same level of pre-school education. City parents have a higher cultural level and city pre-school teachers are better, so children in the countryside

<sup>23</sup> Field Notes, 1992, 37–38, 47.

<sup>24</sup> Field Notes, 1992, 70–71.

and in the cities don't start at the same level. So if we could establish a model, it would be very effective.<sup>25</sup>

The meeting closed with a discussion of the joint report that would be written by the two teams for IDRC: what were the logistics of writing the report, given that the Canadian team would have returned home by the time it was being written?

### ***Final Meeting in Lijiang***

The final meeting for this phase of our joint research took place just prior to our leaving Lijiang. We had been asked to report our findings to local government officials and we met to determine what we would say. The Chinese team told us that prefecture level leaders would also be present at the meeting and we would be expected to outline which places we could help and how we could help them. What general thoughts did we have? We wouldn't be expected to give a detailed picture, but officials wanted to be able to contact the localities and get them started on preparatory work.<sup>26</sup>

With the Chinese team's junior members, we discussed broad priorities. The young people had been moved by the extreme poverty of some areas and wanted to be sure that any help the project could provide would get to the people who needed it most. But they were unsure as to how this could be accomplished and felt they would need to do further research before they proposed specific small projects. At the same time, they recognized a contradiction between areas with a basis for development and these poorer areas, which lacked infrastructure such as roads and electricity. Moreover, they felt, the fact that a place needed help did not necessarily mean that it would be fully able to make use of it.<sup>27</sup>

With all members of both teams present, we returned to the matter of the joint report. The Chinese team leader's view was that it was simply too difficult to write a joint report in the circumstances. He suggested that the Chinese team would continue the

<sup>25</sup> Field Notes, 1992, 71.

<sup>26</sup> Field Notes, 1992, 105.

<sup>27</sup> Field Notes, 1992, 106–108.

research and write a report, which they would carry with them on their visit to Canada. The Canadian team should also write a report on the Lijiang research. The Chinese team would write a report about the Canadian research; whether or not the Canadian team wrote a report on the Canadian research was up to them. But the final report for IDRC, the whole integrated report, would be the Canadian team's responsibility. If the Canadian team wanted to write a more collaborative report, we could use the Chinese report as reference material.

A Canadian team member pointed out that IDRC would look for a report that was jointly done, that there must be equality between the two sides. A Chinese team member suggested that it would be quite easy for them to send us their report topic by topic. Most difficult, he thought, was the part of the report dealing with the actual possibility of projects, where these would be listed. For the Chinese side, there needed to be a report that could be passed around to show to people – “like a book” – in order to go on to the next step. They also needed such a document for the local government, to whom they were required to report.<sup>28</sup>

The Chinese team leader then put forward what he considered to be the most promising project: a network of tourism cooperatives with a Naxi *minzucun* – a demonstration village, rather like a theme park, as its center – to act as an introduction for the tourism cooperatives. The *minzucun* would be in Baisha, an old and early Naxi settlement site; its profits would help to fund the cooperatives, which would also get funding from the banks, the government, individuals, local units, and the Canadians. The government would help, but the people would start the cooperatives, which would be household-based; they would run and manage them. It would be a large-scale project, presenting every aspect of Naxi culture.

The Canadian team asked if the Chinese team planned a written document for the local government and, if so, when they had to submit it? The answer was that the Chinese team was required to write recommendations for the local government. The Canadian team said that they felt it was far too early to make a recommendation that was

<sup>28</sup> Field Notes, 1992, 111.

so large in scale, and that we would not want such a proposal to go forward to the local government in our name. Furthermore, we had lots of possibilities in mind; tourism was only one of them.<sup>29</sup>

The Chinese team leader responded that they also had thought of some other small projects to propose – for example, potato chips and dried *doufu* (beancurd); handicrafts (belts, national minority clothing, wood and stone carving, silver bracelets, baskets and embroidery); solar energy. Handicrafts would support tourism, which would provide a market. A group of small cooperatives, with a small capital requirement, could produce these goods.

The Chinese team also thought that both education and health were interesting areas to explore, but could not quite see what kind of cooperatives could be established – except, perhaps, for a cooperative medical clinic that would provide medical services to people at a low cost, with a low fee, to make itself sustaining.

The Canadian team urged caution, saying that although encouraged by the fact that this plan involved many sites of activity, many minorities, and a training emphasis, we felt that the beginning must be very modest, on a medium to small scale. One team member pointed out that we were concerned that local government officials might misunderstand; more than one might privately be thinking that, simply by virtue of being foreigners, we would be able to provide a lot of money.<sup>30</sup>

The Chinese team leader replied that as far as he was concerned, we were fellow researchers, not investors. This was said spontaneously, and appeared to represent what he genuinely felt.

The same is true of the Academy. Its responsibility is to help with development through social research. But as Peter Goullart did, I think it is possible to start things that don't require a lot of capital investment. Whether or not we are successful, we are pleased to have you here and to have your efforts. The task is to make suggestions and provide ideas to the Lijiang government. But we also want to try to do something

<sup>29</sup> Field Notes, 1992, 111–112.

<sup>30</sup> Field Notes, 1992, 112–113.

concrete, and we trust that you will try your best, and if you don't succeed, we will still maintain our good relationship. The prefecture government feels the same way. They are pleased that YASS can act as a go-between. They know we don't have lots of money, but we do have ideas. Goullart and Rewi Alley had these [cooperative] ideas and we should remember that Lijiang also has lots to offer us...<sup>31</sup>

Later, a member of the Chinese team let us know that it was not the case that we could fail in getting the money for small projects and no one would mind that we had been unable to do so.<sup>32</sup>

We agreed that for the meeting with the government, we would talk about our feelings, impressions, and experiences regarding the research in Lijiang and our plan for next steps, our research plan, what we would do from there. The people meeting with us would include the county magistrate, the director of the Tourism Bureau, the chairman of the People's Political Consultative Congress, the county vice party secretary, the secretary to the governor of the prefecture, and someone from the local Minority Affairs Committee. The Chinese team suggested that the meeting would be relaxed and flexible, and that we, the Canadians, should do most of the talking, since they had frequent opportunities to speak to these people.<sup>33</sup> The meeting turned out to be a dinner party rather than a meeting; I took no notes, and recall it as informally conveying the information agreed to in very general terms.

### ***Final Meeting in Kunming***

Our final meeting occurred in Kunming, at the Academy, prior to our departure for Canada. One interesting aspect of the meeting concerned the Chinese team's requests for their research trip to Canada, to take place in September – October. They wanted to have an orientation on arrival that included lots of information. They wanted activities arranged in two groups outside Vancouver, in smaller groups in Vancouver. Both groups would visit First Nations people, including staying for a time, if possible. They wanted to

<sup>31</sup> Field Notes, 1992, 113.

<sup>32</sup> Field Notes, 1992, 114.

<sup>33</sup> Field Notes, 1992, 113.

visit cooperatives of all kinds: production, marketing, housing, health, day-care, credit unions. They also wanted to see development projects, especially those managed by First Nations people – in energy, forestry, environmental protection. In education, they asked to see education for First Nations people and especially to investigate the issue of native languages. They wanted to learn about cultural tourism – native-organized and community tourism. How did they present the culture to people outside of it? How did museums present culture? They also wanted to learn about women’s groups, native women, and women and health care.<sup>34</sup>

In closing, we discussed research questions from the Canadian team, on which Chinese members would conduct further research, and areas that interested each of the Chinese team members, which they proposed to continue researching.

## ***Summary***

Collaborative research is a continuing theme in this thesis. I therefore wish to summarize my views regarding it to this point. As is perhaps evident, relationships within the Canadian team were collegial and egalitarian. We shared a perspective; we also knew each other well. Within the Chinese team, the relationships, initially at least, were hierarchical, determined by members’ positions and status within the Academy. Initially, the younger members and the senior members did not know each other well, since some younger members had recently joined the Academy, while others were ‘borrowed’ from other organizations. Later, as team members came to know each other better, the relationships became somewhat more equal. In addition, the younger members and the senior members differed quite profoundly in their views on some issues.

Between the two teams, we resolved differences quite successfully by consensus decision-making. The decisions were not always completely satisfactory to the Canadian team, but we also recognized that the Chinese team’s positions were constrained by what local government officials would permit. At that stage, I think we glimpsed only a fraction of what was going on behind the scenes, both in terms of Chinese team

<sup>34</sup> Field Notes, 1992, 118–119.



members' true, and often differing, views and of the extent of involvement of the local, and even of the provincial, government.

One factor that certainly made a difference was the experiences we shared in doing research together, especially in circumstances that were physically and emotionally challenging. These 'bonding' experiences occurred in Lijiang, especially when the two groups divided for their separate itineraries, and again in Canada, for the two different 'First Nations' itineraries. In Lijiang, for my group, it was our visits to the Lisu villages that brought us closer together. For the other group, it was, perhaps, sharing the unexpected physical hardships of the trip to Baoshan.

Could we be said to have done collaborative research at this stage? In my view, the structure of the relationship was unequal, in the sense that the Chinese team was facilitating a Canadian research agenda with an emphasis on development research, as the name of its funding organization suggests – even though it was certainly one that our Chinese partners had agreed to. This was an area in which senior and junior members of the Chinese team differed, with younger members generally more interested in and more convinced by our ideas than the senior members. This scepticism was, I believe, changed to some degree by the Chinese team's visit to Canada, which occurred a few months later.

Finally, could we be said to have done genuine development research in this first phase of our collaboration? I think the answer would have to be that the result was a flawed version of what we had hoped to do. We gathered a vast amount of information; I am still surprised by the quantity and the quality of it. It is still, to me at least, extremely interesting. But those were early days in terms of doing research in China. Our information was very scattered; we were in a passive position, simply getting everything we could in the circumstances, whatever they happened to be. We were quite right in requesting more depth and focus, more formal interviewing; our Chinese colleagues were also correct in telling us it was not possible given the time constraints, if for no other reason. At the meeting with the local government, it was pointed out to us that in fifteen days, we visited fourteen townships and twenty-eight organizations. To my mind, this breadth of research was unavoidable, given that we were investigating local interest in establishing cooperatives over a large geographic area with a diverse population. It was

also the case that our young Chinese colleagues contributed depth to the research by their extended efforts prior to and following the time we spent together in the field.

## **Forms of Economic Organization**

As the evidence shows, we embarked on this project in the midst of a period of economic transition, when forms of economic organization were various and complex, the atmosphere characterized by considerable ambiguity.

We visited many different enterprises, of which I have selected four examples to consider here. In selecting these particular examples, my criteria were that they should be representative and significant in depicting the setting within which we would try to establish cooperatives. In what follows, I have preserved the detail I think necessary to fully convey the complex economic environment of the period, in which past and emerging economic forms presented a confusing mix. Following the examination of these examples, I will consider traditional forms of economic organization in some of the villages we visited.

### ***A Briefing on the ‘Cooperative’ Economy***

In our first orientation meeting in Lijiang, we were briefed by Cun Jiayi, deputy magistrate of Lijiang County, on the ‘cooperative’ economy. In this briefing, he cited seventy-three enterprises as being part of the cooperative/collective economy; sixty of these were, he said, township enterprises, including industrial, food processing, chemical, construction, and mining. He noted that the collective sector was not divided but included township enterprises as well as collective state enterprises. Some, he said, were quite large. The county’s income was derived 45.73 percent from state enterprises, fifty-two percent from collective enterprises. Collective enterprises had more autonomy than state-owned enterprises and more say in how the enterprises were run. One of the major ideas of the economic reform was to channel the energy of the collective economy into the market. State-owned enterprises were only partially in the market – whereas collective enterprises were already entirely in the market. State-owned enterprises were,

therefore, to learn from collective enterprises so that they, too, became more market-oriented.

Deputy Magistrate Cun stressed that collective enterprises were an important part of the county economy, responsible for their own profits and losses, and that they were developing. There was room, he said, for them to develop. While they did not have complete autonomy, they did have a great deal of control. There was also a mechanism for representatives of collective enterprises to get together and talk about where they wanted to go. The central government would not permit complete autonomy, but in this organization, the Cooperative Association, the government was not represented. The organization was an administrative body, coordinating all cooperative enterprises, with enterprise directors having seats on its board. There were no worker representatives, but workers elected the board. The function was to ‘coordinate’, but it was not clearly stated what ‘coordination’ was.<sup>35</sup>

The workers elected the enterprise director, unlike the situation in a state enterprise where the director is a government appointee. The board took care of pension funds. All enterprises contributed to the fund and it was collectively decided how to use it. For example, twenty collective enterprises were involved in light industrial manufacturing. Altogether they employed about 1,500 people, who had to look after 600 retired former employees. They contributed according to the profits of the enterprise rather than the number of people to be supported. The funds were put in the bank and the pensions were issued on a monthly basis. There were two funds: a pension fund and an administrative fund – for the purpose of developing the enterprise.<sup>36</sup>

Here is an exchange with the deputy magistrate that illustrates the complexity of the situation very well – disregarding the statistics, an anomaly in themselves. We asked Cun Jiayi, “Of the sixty collective enterprises, how many are at the township level? How many are agricultural, that is, village run?” He replied:

<sup>35</sup> Field Notes, 1992, 12–13.

<sup>36</sup> Field Notes, 1992, 13.

There are 5,731 collective enterprises altogether at the county level. Ninety-two are agricultural, 1,853 are industrial, eighty-four are involved in construction, 2,731 in transportation. The other 1,031 are commercial or restaurants and other services. Of the 5,731 enterprises, thirty-nine are township run, 145 are village run. Ninety-five are run collectively at the township or village level. 5,448 are household enterprises, privately run. These include restaurants and service enterprises, not necessarily producing anything. The township is *Dayan* – Lijiang Old Town. There are five enterprises directly owned and run by *Dayan Zhen*. But a lot are run in a more complex fashion – about twenty altogether.<sup>37</sup>

Cun Jiayi added that he felt that our project was timely, because this was the fiftieth anniversary of the establishment of the first *Gung Ho* cooperative. Another factor was that the whole county was studying Deng Xiaoping's report on further deepening the reforms. In attempting to deepen the reforms, they themselves were doing local research. So he hoped to put together our research with theirs to achieve a deeper, more scientific result. Part of the deepening of the reforms involved giving more independence to the collective part of the economy. They were just researching this, including the issue of Lijiang cooperating with other countries and other parts of China. They were interested, too, in discussing different forms of cooperative management.<sup>38</sup>

Here what strikes me is Cun Jiayi, who is representing the county government, telling us that collective enterprises are an important part of the county economy, that they are developing, that they had, if not complete autonomy, “a great deal of control” and “a mechanism for getting together and talking about where they wanted to go.” Also, that “deepening the reforms” involves “giving more independence to the collective part of the economy.”

## ***A Jinshan Township, Zigu Village Enterprise***

### **Introduction by the Township Party Secretary**

In Jinshan Township, the party secretary gave us an introduction. In it, he cited the five kinds of enterprises then in existence – individual, household, natural village,

<sup>37</sup> Field Notes, 1992, 14.

<sup>38</sup> Field Notes, 1992, 16.

town and township. Most enterprises were still individual, but there were more collectives than previously. He said he thought that it was necessary to strengthen collective enterprises and increase the collective spirit. “There are problems that can’t be solved otherwise, but could be collectively solved,” he said. Recently, after the introduction of the household responsibility system (*bao chan dao hu*), local government leaders were beginning to realize that they must collectivize again, to some extent, and that this was only fair, because the means of production belonged to the people, they were not individual. There was some money left over from the commune system, and now they also got some money from contracts. This was their collective fund.<sup>39</sup>

We had no doubt at the time, and I do not doubt now, that these comments were offered with anything but sincerity. We were aware that they were spoken in a context in which dismantling the collectives had led to the collapse of cooperative medical care systems, and even to the closing of schools in some communities, for lack of funds. Naturally, Cun Jiayi’s views supported the idea that the contemporary environment might be conducive to forming new cooperatives.

### **In Zigu Village**

Zigu Village in Jinshan Township was a natural village involved in the construction enterprise managed by Yang Peihua, the entrepreneurially inclined man our Chinese colleagues had mentioned as having successfully organized his fellow villagers. The construction company counted as a township and village enterprise, part of the collective economy. Zigu Village was home to a factory smelting zinc oxide and a lumber factory that made window frames, part of the construction enterprise. Yang Peihua was Village Head and Head of the management committees of the construction company and the zinc oxide smelting factory. We were told that the village had ninety-eight households with a population of 458 people, of whom 263 were of working age. It

<sup>39</sup> Field Notes, 1992, 31.

had 810 *mou*<sup>40</sup> of land. The current income was 1,520 rmb per person; in 1982, it had been 219 rmb per person.<sup>41</sup> No one in the village required state support.

The enterprises employed 422 people, 117 from Zigu village; just about every family had one employee. Income from the enterprises was used to support agriculture – for example, a portion of the profits went to irrigating the nearby fields. Fieldwork was also less of a burden than previously, because income from work in the factories made it possible to buy a tractor. The village management committee decided how the profits were allocated; the enterprise paid a management fee of 30,000 rmb. Though the village owned the construction company, villagers said that the village management committee and the construction company did not interfere with each other. In fact, it had been the construction company’s decision, through its own nine-member elected management committee, to invest in agriculture. The villagers pointed out that the process was mutually beneficial: the construction company put a lot of money into agriculture – especially sideline production; when households had money, they could afford the construction company’s products – they could afford to build new houses. The villagers also said that it was unusual for a natural village to have such a big enterprise.<sup>42</sup>

This construction company, in my view, offered our first real glimpse of what I am arguing is a highly nuanced complexity. Yes, it was part of the collective economy, and yes, it had an elected, nine-member management committee. And, yes, the idea of an enterprise that supported a village’s agriculture with its profits seemed a very good one, even if that was done with an eye to villagers being able to afford its products. But what about a village head who also led the management committees of the village’s two enterprises? In what meaningful way were village government and these enterprises separate? It was noteworthy that the words ‘collective’ and ‘cooperative’ were not mentioned, even once. Also, that this enterprise had been started recently.

<sup>40</sup> One *mou* is equivalent to one-sixth of an acre.

<sup>41</sup> In 1982, the rmb to \$CDN value was 1.23; in 1992, it was 1.20.

<sup>42</sup> Field Notes, 1992, 33–34.

## ***Lijiang Town Collective Enterprises***

### **The Minority Textile Factory**

The factory was founded in 1950. Its origin was Goullart's first cooperative, a textile cooperative established in 1942 that made woollen socks and hats. The machinery from that cooperative was moved into this factory in 1956. The factory director joined the factory in the 1960s as a teenager; two or three of the workers at that time came from the *Gung Ho* cooperative. In its present form, the factory dated from 1980. Currently, it had seventy-four workers, and it was supporting eighty-two retired workers. Pensions were not paid directly by the factory; instead, the Cooperative Association, to which each factory contributed regardless of its number of retired workers, paid the pensions. The high ratio of retired workers on pensions to current employees, we were told, was a common problem in Lijiang, especially for labour intensive enterprises. The highest number of retired workers was to be found in small enterprises, such as those making *baba*, where the workers came into the collectives in 1949. Newer enterprises had younger workers.

The factory produced national minority textiles; because they made a product for national minorities, they did not charge high prices, and their profits were rather low. The major characteristic of their product was lots of variety, but limited quantity and a limited market, because each minority had different demands. Even within one national minority, preferences diverged. For example, Tibetan women in different villages wore aprons of different designs, for which the factory took customized orders. The average wage was 100 rmb per month, in the low – middle range for the area. There were three workshops, all working on a piecework system, tied to quantity and quality. Thirty percent of this factory's funds annually went to the Cooperative Association. There was a workers' congress, which elected the director. The director put forward ideas to the workers' congress. If they did not agree, he modified his proposal and took it back to the congress for discussion. There were also two deputy directors, and an accountant. These four people were required to sign a contract with the Cooperative Association stipulating such things as the value of the product, sales, and safety. The contract system had been in place since 1988. The factory also provided for workers' health care; costs were paid

partly by the worker, partly by the factory through its collective fund. The Cooperative Association worked by majority vote; if the majority disagreed a proposal was voted down.<sup>43</sup>

To be noted about this factory and the two others below is that they are carry-overs from an earlier and very different historical period and economic system. Nonetheless, when we visited, the factory seemed to be functioning well, a convincing contributor to the contemporary economy. Of great interest to us were structures like the Cooperative Association and the workers' congress.

### **The Pottery Factory**

The factory was established in 1959 with eight people and 400 rmb as capital.

They started as unemployed youth, organized by the *Guan Yi* street committee in *Dayan*. The money was borrowed from the *Dayan* town government. It was the street committee's idea; the street committee went to the town government and suggested that they should start this enterprise to enrich the daily life of the people and to revive a 100-year-old tradition among the Naxi. On this basis, the town government agreed to lend them the money.

These eight people...had no experience making porcelain – they didn't even know what it was like...They had no technology, not much money, and no workshop. They lived in peasant homes...They had no tools except for things like hoes. Initially, they selected a place close to a neighbouring county in Dali prefecture, near an existing pottery and good clay. They started with only one product: a tiny teapot. No one knew how to make it, but they found someone to teach them who had made porcelain before Liberation...<sup>44</sup>

In the early 1960s, once it was producing normally, the *Dayan* (Lijiang Old Town) government took the factory over from the street committee; in 1962, the county government took it over from the town government. The factory director, with whom we had been speaking, said that the management of the factory was "cooperative." He was the one person remaining from the original group. The factory currently had sixty workers. He said that the factory had continued to research methods of making porcelain

<sup>43</sup> Field Notes, 1992, 57–58.

<sup>44</sup> Field Notes, 1992, 59.



and to expand its products. It had enough products to specialize, and to have six different workshops if they had enough workers and space. The workers were paid on a piecework basis. If they had a profit at the end of the year, it was put into an accumulation fund to increase the size of the factory.

We asked the factory director why he had said that the factory was cooperatively managed? His answer was that they had a factory management committee.

It is made up of old workers, technicians, and the factory director and vice director – altogether five or six people...The factory director is democratically elected by the workers in the factory – the workers' congress – not nominated. No other level puts him forward; they run their own show. There is no supervision by the state bureaucracy; they are supervised by the masses. They are both decision-makers and implementers. They put forward the suggestions of the management group for discussion by the workers, it goes back to the leadership, and so on.<sup>45</sup>

We asked if it was possible that the workers would not agree to something the management group wanted to do? The factory director agreed that that could happen. He said that the management group would then investigate again. But his final answer was that the management group would decide; they would not listen to the workers. He gave an example. When they tried to produce a new product, at first the workers did not want to. They had doubts, but the factory management group made the decision to go ahead anyway and required the workers to implement it. After a trial, their decision was proved correct. Of course, the management group had first made an experiment to be sure that what they proposed doing would work. In response to a question, he said that the workers congress met every one to two years.<sup>46</sup>

This factory director describes cooperative management in a way that sounds believable, despite the later instance of the management committee over-ruling workers. Possibly the fact that he was one of the original group that founded the factory, living through its early, difficult years, conditioned a philosophy that he carried into the later

<sup>45</sup> Field Notes, 1992, 60.

<sup>46</sup> Field Notes, 1992, 60.

period. It was interesting to us that he emphasized that no other level or factor influences the choice of the factory director, and that “there is no supervision by the state bureaucracy” – that is, he underscored the idea that collective organizations have some degree of autonomy. What he had to say about decision-making is, of course, a description of the ‘mass line’, implying a degree of participation, or at least consultation, by the workers in decision-making.

### **The Children’s Minority Clothing Factory**

The factory was set up in 1971. The person speaking to us had been the factory director at that time. He organized people who didn’t have work; that was how the factory started. They had no sewing machines or anything else; there was also no Cooperative Association at that time, so they came under the jurisdiction of the Commercial Bureau (*Gong Shang Ju*). The prefecture lent them some sewing machines and the building, and anybody who had a sewing machine brought theirs. But nobody knew anything, though he did have some experience. They taught each other. It took them six months to learn how to make children’s clothing.<sup>47</sup>

In 1972, the Handicraft Management Bureau, (*Shougong Guanli Ju*) was restored. The Handicraft Management Bureau gave them a task of 50,000 rmb of production for that first year. By the end of the year, they had completed 80,000 rmb of production. These figures are output value.

They started with twenty-five workers – twenty-three women and two men. The next year, their production target was 90,000 rmb, but they completed 100,000 rmb in output value. At first, they delivered their products to the county; later, they gave them to the district. (He did not specify the county or district organization involved and we did not think to ask.) During the year, some workers left, so that their work force declined to fifteen workers. The reason was that some workers had joined temporarily because of a shortage of work. Later, they were able to return to their former work organizations. This demonstrated that the factory had progressed very quickly, since they were able to exceed the target, even with fewer workers. It was characteristic of their work force to be

very united. If you gave them a task, they did it wholeheartedly. This was why they were able to exceed their targets. Each year, their output increased by 10,000 rmb.

There were currently twenty-four workers, twenty-one of whom were women. The factory was responsible for its profits and losses and worked on the responsibility system, one of the reforms introduced throughout China in the 1980s. Wages were at piecework rates. There was no basic wage to guarantee minimum subsistence. The division of profits was according to wages. If your wages were higher, you also received more when the profits were divided. Some of the sets of clothing were worth more than others. These rates were established. Then they looked at the quality of each piece. The piecework rates were based on the profits of the previous year. The most experienced worker made 300 to 400 rmb per month; an ordinary worker made 150 to 160 rmb per month. The director, the accountant, and the stock manager did not work in production. The three of them together had to take charge of purchasing, production, and sales.<sup>48</sup>

The current factory director, a woman aged thirty, had been elected by the workers. The accountant described the process of her election.

The old Director retired at fifty-five. She hadn't trained anyone to replace her. The Handicraft Management Bureau suggested that we bring someone in, but the workers were opposed. They preferred to choose a young person from within the factory. So they chose her. They asked the old workers to train her. Then the Bureau had to hold a meeting to approve what they did. The Bureau representative said "You don't have a trained person, so we'll send you somebody." The older workers said, "No, we want to train someone ourselves, train a young person." The Bureau agreed, and she became factory director.<sup>49</sup>

In this factory, as at the Pottery Factory, the same characteristic of beginning with an early history of adversity, and through that moulding a workforce that is "very united" and carries out tasks "wholeheartedly," applies. We also noted as encouraging the story of the selection of the new factory director and the workers' ability to prevail despite the recommendation of the Handicraft Management Bureau.

<sup>47</sup> Field Notes, 1992, 80.

<sup>48</sup> Field Notes, 1992, 81–82.

## ***Small Lijiang Restaurants and Shops***

We talked to a young Naxi man who spoke good, unaccented Chinese. He helped in the restaurant in the morning; the woman who did the cooking ran it on a contract basis. She paid 300 rmb per month in various fees; the profit was 110 to 120 rmb per month. The fees included rent, water, electricity, a management fee, a fee to the Party committee, and twenty rmb per month for pension and benefits. The restaurant was contracted to a collective, so the two workers considered themselves to have a work organization, but it did not really do anything very much for them.<sup>50</sup>

We also visited one of three shops that made and sold Naxi *baba* – a staple of Naxi cuisine, a large, round, sweet or savoury flatbread. They were a cooperative, they said; previously there had been many more shops involved.<sup>51</sup>

We were interested in these places because they were small and part of the collective economy. It did not seem a big leap from here to the possibility of establishing small cooperatives. Since little was hidden from view, we could observe operations, while eating very well in the process.

## ***Hexinzu***

### **In Zigu Village**

Another form of economic organization in this village was what villagers called a *hexinzu*, literally a ‘combined hearts group’. One example was the Agricultural Machinery Repair Station, seven households that, functioning as a collective, repaired agricultural machinery. This group was given an interest-free loan of 20,000 rmb for four years. It paid rent for the land it used and a management fee, which was four percent of the profits. We asked village head Yang Peihua how the group divided its profits but he said he didn’t know; they decided themselves. We asked if it was like a collective in the 1950s? He thought it was similar but also different, because members divided the profits

<sup>49</sup> Field Notes, 1992, 82.

<sup>50</sup> Field Notes, 1992, 34.

<sup>51</sup> Field Notes, 1992, 19.

on the basis of ability and contribution. There was an elected manager/accountant who received an amount equal to eight percent of the workers' wages for doing this work. This man had also made an investment of 10,000 rmb.

There were thirteen *hexinzu* in the village. They had no connection with the village management committee; they had duties and responsibilities, but they were volunteers, rather like the old mutual aid teams of the early 1950s. They had a lot of independence, the thirteen of them covering the needs of the whole village. They were not fixed, but rather seasonal and temporary. Yang Peihua said that he was happy with them as a form of organization; he felt that they fit the conditions of the countryside. They were quite new, having started in 1988. They were made up of friendly neighbours and ranged in size from four to thirteen households. The average size was seven households.<sup>52</sup>

### **In Hongwencun**

In this village, instead of using '*hexinzu*', the locally used term was '*niuqingjia*' 'cow – relative – family'. Formerly, in 1949, there were groups called '*biangongdui*' – mutual aid teams, or something similar. The villagers said they still had them. There was no relationship between these two groups; the difference was between "eating from the one big pot" (*chi da guo fan*) or equal distribution and the responsibility system. With the household responsibility system, they found that they had to start these new groups where people helped each other. An example was four or five families looking after forty to fifty mou of land (seven to eight acres).

Another example was a group, including the village head, which consisted of three families, sixteen people, owning two cows. They bought a threshing machine, and worked together in the fields and on building houses. They helped each other if one of them was in trouble. They made a basic living, that is, they had enough food and clothing, but they needed capital in order to progress further. We asked if they ever disagreed, and if so, how they would decide? The village head replied that if there were no way of solving the problem, you would have to leave the group, but this hadn't

happened; they generally agreed very well. Only the three male heads of each household participated in the group; the women were consulted, however, to avoid problems within families. We asked if the group members met at set times, or if their meetings were impromptu? The village head answered that they talked as they worked.

The villagers said that the groups were completely unofficial and did not have to be registered. “You say you’re going to do it, and you do it.” The threshing machine belonged jointly to the three families. They threshed for others, and charged a small fee according to the size of the crop harvested. The groups could be relatives, friends, or neighbours. The biggest were three – four households; some were two households. There could even be a *hexinzu* within one household, if it had many members. We asked whether the three families had contributed equally to the purchase of the threshing machine? They replied that the group had two cows. Two families had each contributed one cow. The same two families bought the threshing machine. The third family contributed more labour because they did not put in money. The two families contributed the same amount of capital for the threshing machine. We asked how the three families divided the profits? The villagers said that the money they got from threshing went only to the two families that invested in the machine; the same was true for the cows. The third family was able to use the threshing machine and also received milk. The family members without capital helped the others when they had time, but they did not have to. In return, the other two families helped them. Typically, the family without capital was a family in difficulty, for example, a mother with children whose husband was working away from the village. That family just contributed what it could; it was a way of helping them. A fuss was never made over how much the third family had to contribute to get help from the others, or the advantage of the others’ capital. We asked if this came from the mutual aid teams or from something much earlier in the Naxi tradition? The villagers said that such mutual assistance had started very early, prior to Liberation. The name, though, was more recent.<sup>53</sup>

<sup>52</sup> Field Notes, 1992, 35, 46.

<sup>53</sup> Field Notes, 1992, 65–66.

In this village, there was also a nursery school, started by several families and run by a mother and daughter. The daughter was the teacher, and each family paid five rmb per month to provide her salary. There were thirteen children attending the nursery school.<sup>54</sup>

The *hexinzu* was a structure that seemed to offer genuine hope for the project of establishing new small cooperatives. Internal decision-making took place on a consensus basis. It had roots in history and tradition, but it was also a new organization. Unlike the previous examples, the *hexinzu* was clearly grass roots, bottom-up, and voluntary. A *hexinzu* was organized on the basis of need, and it was possible within this structure to help others in greater need. These were all characteristics also shared by cooperatives.

## ***Summary***

We had asked our Chinese colleagues to arrange an itinerary that would reveal the presence – or absence – of instances of economic cooperation in Lijiang County. Even given that that was the case, and that we needed, therefore, to make allowance for bias in the selection of organizations we visited, I think we did genuinely see far more evidence for an element of cooperation remaining within the economy than we had expected. What was, perhaps, not as clear to us at the time and is much clearer in hindsight is that we were seeing an economy in a complex transitional phase in which the old and the new were simultaneously visible. In hindsight, I think we did not take sufficient notice of the signs offered us as to where future directions might lie. But that is truly hindsight. At the time, I think we were all much taken with what we took to be corroboration for the existence of cooperation in the examples I have just presented.

Some of the signs offered to us were contained in the examples I have cited; some appeared in scattered comments by our Chinese colleagues. One Chinese team member said that she had not found any instances of small cooperatives or collectives that people had started on their own. She thought that one had to go back to Goullart's day to find

<sup>54</sup> Field Notes, 1992, 67.

examples of cooperatives that were spontaneous. In the 1950s, the cooperatives of that era were absorbed into the collective economy.<sup>55</sup>

She also pointed out on another occasion that the Naxi Horse Fairs, which are famous for their scale and communication complexity, and one of which we attended, were previously organized by the Naxi themselves. Currently, the government organized them.<sup>56</sup>

Another team member told us that during a Chinese team meeting at which we were not present, the Chinese team leader had outlined three areas for Chinese-Canadian cooperation: tourism; enterprises, including those in the state sector; and handicrafts. He added that the collective aspect of the economy was not being supported by the policy of the central government at that time.

This Chinese team member also said that he felt there would be no official support for tourism that was done on a cooperative basis, that in fact there would be opposition to it because the local government official responsible for tourism simply wanted money out of it. He thought that tourism of the kind we proposed would be impossible to achieve in such circumstances.<sup>57</sup> Here again, the Chinese team was caught between the variable and fast-changing currents of economic reform and the definition and scope of the SFU – YASS project.

One of our senior Chinese colleagues commented to us that the development of the Lijiang area was part of the policy of both the Lijiang County and the Yunnan provincial governments.<sup>58</sup> At the time, I did not understand the implications of his remark; I doubt that he fully grasped them either. I thought the message was that our project would have government backing; instead, it was that the small scale of our efforts would soon be overwhelmed by much larger, better-funded initiatives.

<sup>55</sup> Field Notes, 1992, 23.

<sup>56</sup> Field Notes, 1992, 21.

<sup>57</sup> Field Notes, 1992, 114.

<sup>58</sup> Field Notes, 1992, 51.



## Traditional Forms of Cooperation

In my view, the evidence for the existence of traditional forms of cooperation among the Naxi and other national minority peoples of Lijiang County was and is clear.

We heard of examples such as five to seven families owning two cows and looking after them in turn, one year at a time. Building houses collectively and contributing money for a marriage were other examples mentioned. In some villages, the *hexinzu* was considered “a pretty usual thing.”<sup>59</sup>

In one village, we were told about the *suowo*. This is Naxi, and means an organization of relatives. It evolved from family and clan to neighbours and could be dated back to very early times. In Chinese, the term was *congbei*. The villagers recalled an organization before Liberation that helped people in need. They organized the people who wanted to participate, selecting families they believed were capable. They had an accountant, and so on. But the village currently did not have anything like this. In this village, the villagers said that usually people built their houses individually, but if somebody was in difficulty, there might be assistance. In a nearby village, we met a man who had married two years before. As a younger son he had needed to build a new house; it took two months and everyone in the village helped. He did not pay them anything, but there was a big meal at the end. This man also told us that he owned one of the eight walking tractors in the village. He sometimes used it to help his neighbours, and they would repay him with a favour – a meal, or some assistance he needed in return.

Their village of twenty-five households, 106 people, had forty animals (horses and cows), and they took turns looking after them. The villagers said that two people could herd that many animals and villagers contributed days according to the number of animals they had. Two or three families might own one ox; in that case the family that was using it was responsible for feeding it. In the view of the villagers, there was more

<sup>59</sup> Field Notes, 1992, 34–35.

cooperation in the village than there had been in the past because there was greater equality. “Nobody loses their land, and nobody is a landlord.”<sup>60</sup>

In Judian, we were told that the Lisu also had a tradition of helping each other. They also had *hexinzu*; they provided assistance if someone was sick, for example. When someone died among the Lisu, the whole village got together. Each year at Qing Ming, also, all of the families would get together to sweep the tombs. In agriculture, they provided mutual help among themselves, as well as organizing *hexinzu*. There were subunits of *hexinzu* – for instance, building houses. It was up to the family wanting to construct a house: they could invite relatives, friends, villagers, or they could pay hired labourers or they could contract the whole thing to a construction company under a *hexinzu*. Masons, carpenters, and so on, formed a *hexinzu*, based on temperament and on doing the same work, to do construction work. Most village *hexinzu* had a construction team. They did road maintenance also, as well as house repairs and water conservancy projects. Or they looked after cattle together, or bought a tractor. Some were longer term, some short-term.<sup>61</sup>

Not only was there, in my view, an undeniably old and strong cooperative tradition among the national minority peoples in Lijiang County in the 1990s, but – as I hope to indicate briefly in a subsequent chapter – that tradition has also persisted into the present.

I would now like to turn to the second phase of our research, conducted in British Columbia.

## **YASS Research in British Columbia, September to October 1992**

I believe that this period of collaborative research in British Columbia was a formative experience for Chinese team members, significantly educating them about

<sup>60</sup> Field Notes, 1992, 39–43.

<sup>61</sup> Field Notes, 1992, 86–87.

cooperatives and the lives and cultures of their Canadian hosts, including Canadian First Nations peoples, and, in the process, bringing the members of the two teams much closer together. In my view, it provided the Chinese group with a most unusual exposure to a Western culture and helped to change their perspectives quite profoundly. As the Chinese team had put great effort into preparing for and organizing our research in Lijiang, the Canadian team reciprocated, arranging interviews and visits in B.C. that met, and exceeded, the Chinese team's requests in scope and content.

To me, and, I think, to the Chinese team members, what made their visit special was the fact that they were treated not as distinguished Chinese visitors, but as scholars and colleagues, ordinary people like us. We had little money to spend, and depended on the kindness and help of friends and contacts, which was very much to everyone's benefit. When possible, the group stayed in people's homes, gaining impressions of what Canadians were really like and how they lived. They found their hosts warm, friendly, and unpretentious, and realized that both they and the Canadian team members were people with modest incomes rather than the riches all 'foreigners' were commonly thought to possess.

To the Chinese team members who had been our research partners in Lijiang were added a Lijiang County magistrate and the Baisha Township head. There was, in addition, one other member of YASS who was a visiting scholar at the University of California at Davis, who joined the group for the B.C. research.

### ***Visits in Vancouver and Environs***

This is an excerpt describing the team's activities in B.C. from the official report to IDRC:

During the Yunnan research team's time in B.C. they visited the following cooperatives where they talked with management and members: the CRS Workers' Cooperative (including Horizon Distributors, a wholesale health food distributor, and Uprising Breads Cooperative Bakery), Baseline Type & Graphics Cooperative, Mid-Island Consumers' Cooperative in Nanaimo, Hornby Island Consumers' Cooperative, Mountain Equipment Co-op in Vancouver, as well as a housing cooperative and a cooperative daycare center in Vancouver.

The group spent a full day visiting and talking with members of the CRS Workers' Cooperative. Another morning was spent with Marty Frost, who is the coop's general manager and one of the founding members. Marty explained the internationally recognized principles that distinguish cooperatives from other organizational formats. He also explained how CRS is self-managed by its workforce...

The research included discussions with management at the Delta Credit Union and the CCEC Credit Union in Vancouver as well as the B.C. Central Credit Union of which all the credit unions in B.C. are members. The discussion with Jill Kelly, manager of the CCEC Credit Union, was particularly important because she explained its unique character inasmuch as it was founded by cooperatives to provide financing for coops and community organizations.<sup>62</sup>

The visits to cooperatives were remarkable in the richness of information and insights provided, so much so that Canadian team members also found much to learn from them. (Much to my regret, I was not able to participate in this part of the visit.) For the Chinese team, though, they were a revelation, marking the first time, I think, that Chinese team members had really understood what cooperatives were, how they worked, and why the Canadian team supported cooperatives as a vehicle for poverty alleviation and economic development. This understanding had substantial influence on the younger team members especially.

### ***First Nations Visits***

Following these visits, the Chinese team divided into two groups, as the Canadian team had done in Lijiang; one group went to Terrace, Hazelton and Haida Gwaii (the Queen Charlotte Islands) to visit the Gitskan and Haida peoples, while the other visited First Nations bands such as the Nuu-chah-nulth on Vancouver Island and bands near Lytton, Merritt, Kamloops, and Shuswap Lake in the Interior of B.C. – communities with whom SFU had long-standing relationships.

As with the cooperatives-related activities, the team's experiences with their First Nations hosts were more memorable, and more productive than any of us would have

<sup>62</sup> Phase I Final Report to IDRC on the Project 'Cooperative Development (Yunnan, China)': Background Regarding Activities and Results for 1992–93.

thought possible. All of the group members were struck by strong similarities between the cultures, situations and problems of China's national minority peoples and Canadian First Nations. On both sides, feelings of recognition and empathy were strong.

Here are excerpts from the report on the visits of the group that went to Terrace, Hazelton, and Haida Gwaii. I accompanied this group and so have field notes for the visit, but not for the equally significant visits that formed the other group's itinerary. The first excerpt is from our visit to the Gitskan Nation in Terrace and Hazelton:

At this point, a hereditary chief of the village was introduced, a very old and impressive man. He presented each member of the delegation with a wall clock designed by the village and was given a Naxi painting. He then escorted us outside for a tour of the village totem poles, said to be the finest in the area.

The group was very much moved by this experience. The chief explained that he could only tell the stories of his clan, since only those were his to divulge. It was evident that it was a privilege to be told these stories and that the chief felt an unusual affinity with his guests which prompted him to do so. The chief explained that old poles, which had weathered to a point where the figures were no longer discernible, were retired and replaced with identical new poles. He took us into a locked shed, containing these old poles. Here we saw the 'hole-in-the-ice' pole, which was striking both artistically and as a historical record. The story of this pole culminates in the death by starvation of the central figures, surrounding the ice hole from which they were attempting to catch fish...

By this time, the group was beginning to feel comfortable in the village. It was probably a surprise to them to have such relaxed access to a small, rural Native Canadian community. However, once they realized that this was the intention, that they were to make themselves at home and explore as they pleased, they began to take advantage of the opportunity. They were grouped two to a family and taken off to their 'homes' for supper. After supper, most came with family members to watch a basketball game in which the villagers were engaging a team from outside. Virtually the whole community from oldest to youngest gathered in the new Community Centre, an object of pride, and everyone took turns plucking toddlers out from under the feet of the players. Older people sat in extended family groups and gossiped; our group members were included and brought up to date on bits of village news.<sup>63</sup>

<sup>63</sup> Project Report 'Cooperative Development (Yunnan, China)': Chinese Team's Research Visit to Canada: Field trip to Terrace and Haida Gwaii (the Queen Charlotte Islands), October 1-9, 1992, 2-3.

The second excerpt is from the group's visit to Haida Gwaii.

In the evening, we were invited to Guujaaw's home for a traditional Haida dinner. Guujaaw is a member of the Skidegate Band Council. He lives in a small rented A-frame house high on a hill overlooking the road that connects Skidegate and Old Masset. He told us that he has designed a modern version of a traditional Haida longhouse, which he plans eventually to build on land he owns nearby.

Guujaaw seemed to us to be one of those extraordinary people who can turn their hands successfully to anything. The group was charmed by his house, the first A-frame they had ever seen, filled with art objects and artefacts of many of the world's aboriginal peoples. Guujaaw had also collected the books that have been written over many years on Haida art and Haida culture, many of which are now unobtainable. Everywhere group members turned in the small space, there was something else remarkable to look at.

Guujaaw had cooked most of the dinner, which consisted of salmon prepared several different ways, crab, seaweed with herring eggs, rhubarb relish. Recipes for some of these dishes are closely guarded family secrets and each family thinks its own version is best...

After we had finished eating, Guujaaw brought out a drum and said that he would sing us some Haida songs. After the first songs, he began to bring out, one by one, stunning wooden masks, finer than any I had ever seen in a museum, and to do the dances of the animals and birds they represented. Then he explained that Haida dances were done by men and were competitive, so the men of our group really ought to join in. He took them one by one into the kitchen and gave each a brief lesson and then played the drum and sang while each one danced. Huo Ta told us afterwards that he had never danced before in his life, but felt he should this time. It was an extraordinary evening and we all felt very privileged.<sup>64</sup>

These were some of the impressions the group drew from their Haida Gwaii visit:

...the group's strongest impression was that the Haida bands' experience overlapped their own in many respects. Aspects of that experience which they found relevant and useful were: the efforts to preserve and propagate a traditional language and culture; the Haida Watchmen program as a means of simultaneously protecting cultural sites and teaching culture; the role of the Museum as a focus for cultural research, artefact collection, and education; the importance attached by both bands to initiating and

<sup>64</sup> Project Report 'Cooperative Development (Yunnan, China)': Chinese Team's Research Visit to Canada: Field trip to Terrace and Haida Gwaii (the Queen Charlotte Islands), October 1-9, 1992, 8-9.

operating their own enterprises; the Haida culture itself, with its emphasis on maintaining the natural environment.

The younger members found Haida views on the necessity of controlling tourism compelling. They were also interested in the question of how to preserve the integrity of traditional art and artefacts once tourism creates a demand for ‘souvenirs’. The Haida bands have many years of experience with these issues.<sup>65</sup>

And these were the report’s conclusions:

- (1) Group members are eager to explore the feasibility of a twinning relationship between Terrace and Baisha Township, raised by the Mayor of Terrace.
- (2) If it becomes possible to send a delegation of interested B.C. people to visit Lijiang, the delegation should, funds permitting, include Elmer Derrick<sup>66</sup> and a representative or representatives of the Skidegate and Old Masset Band Councils. Consideration might also be given to including Barry Parker,<sup>67</sup> whose expertise in dealing with tourism issues is outstanding. Both Elmer and the Haida delegate could offer experience in initiating community-controlled enterprises and in preserving and teaching traditional culture. Elmer has devoted many years to providing innovative educational opportunities for young adults. Both would be interested in the possibility of their young people working in Lijiang.
- (3) If there were funding, it would be very useful for a member of the Dongba Culture Museum project to visit the museums in Hazelton and Skidegate, as well as other relevant B.C. museums.
- (4) The Haida Watchmen program could be studied as a model for protecting Lijiang County tourist sites and teaching visitors, both foreign and domestic, aspects of traditional Naxi culture. The Haida’s involvement of their elders in this teaching might be relevant to the Naxi situation. Haida emphasis on the natural environment and the responsibility to preserve it could be included.
- (5) Although the three First Nations groups we visited spoke of community controlled enterprises rather than of cooperatives, it is evident that the traditional culture is strongly cooperative. Band Council representatives could probably offer helpful insights on

<sup>65</sup> Project Report ‘Cooperative Development (Yunnan, China)’: Chinese Team’s Research Visit to Canada: Field trip to Terrace and Haida Gwaii (the Queen Charlotte Islands), October 1–9, 1992, 13.

<sup>66</sup> Elmer Derrick was Chief Band Councillor of the Gitskan Nation

<sup>67</sup> Barry Parker was Director of the First Nations Tourism Association of Canada

cooperative methods, as well as finding in Lijiang's experience possibilities for their own future development...<sup>68</sup>

Despite the fact that this aspect of the Chinese team's visit to B.C. does not bear directly on the issue of cooperatives, I have included it because it proved to be an area of the project in which deeply meaningful, long-lasting ties developed. For Haida Gwaii and for Labazhi and Renhe, all very remote, these ties had a life-changing impact.<sup>69</sup>

## Summary

The period the Chinese research team spent in Canada was organized with the same attention paid to careful research prior to members' arrival that had characterized the Canadian team's stay in Lijiang. It was designed to respond to the group's requests to the greatest degree possible, and it did so successfully. I believe that this period was deeply significant to Chinese team members and that it greatly enhanced the ability of the two teams to mutually discuss and resolve the issues that inevitably arose as the project progressed.

In the next chapter, I will examine the implementation phase of the project.

<sup>68</sup> Project Report 'Cooperative Development (Yunnan, China)': Chinese Team's Research Visit to Canada: Field trip to Terrace and Haida Gwaii (the Queen Charlotte Islands), October 1–9, 1992, 13–14.

<sup>69</sup> In September 1993, a First Nations group that included members from Haida Gwaii, as well as a member from the Skeetchestn Band and Barry Parker, visited Lijiang. As a result of that visit, the Queen Charlotte City Elementary/Secondary School established sister school relationships with the Labazhi Elementary School and Renhe Middle School. The Queen Charlotte City Museum also signed a letter of intent with the Lijiang Naxi Autonomous County Museum agreeing to cooperate on a Naxi cultural exhibition at the QCI Museum. In October - November 1995, eight students and two teachers from the Queen Charlotte Elementary/Secondary School as well as a Haida member of the 1993 First Nations Lijiang delegation (Guujaaw) visited sister schools in Labazhi and Renhe. The school and the community raised the funds to support this visit. In April 1997, one of the Haida Gwaii teachers who had accompanied the students' delegation spent a month teaching at the sister schools. In 1998, a group of teachers and students from the Labazhi and Renhe Middle Schools visited Haida Gwaii, again, funded by the community, and in the same year, the Lijiang Naxi County Museum Director, Li Xi, accompanied his exhibition to the Queen Charlotte City Museum. In 1995, 1997, 1999, and 2001, Ulli Steltzer, an eminent B.C. photographer noted especially for photographs of the Haida, took photographs in Lijiang. The photographs became a book. Steltzer, Ulli. *Sight and Insight: Life in Lijiang, Baidi, and Yongning. Kunming: Yunnan Meishu Chubanshe*, 2001.



## Chapter 5.

# The 1990s Lijiang Cooperatives: The Implementation Phase

## Formation of the First Cooperatives

Following the Chinese team's return from Canada, senior team members reported on the results of both the Lijiang and the B.C. research to prefecture and county government leaders. In the aftermath of those meetings, the Baisha Township Head who had been included in the Chinese team for the B.C. research was given responsibility for "facilitating the emergence of self-organized, self-managed cooperatives of all sorts in the county." In January 1993, the Canadian team's project originators were invited to visit Lijiang for further consultations.<sup>1</sup>

In June 1993, the Lijiang Cooperatives Association was formally established, headed by former Baisha Township Head, Mu Jiao. Its name included the word *minjian*, 'nongovernmental'. (*Min* means 'people', hence *minjian* importantly includes the meaning of a people's organization rather than a government organization.) As well as its partner organization, the Lijiang People-to-People Mutual Assistance Savings Cooperatives Association, a credit cooperative, the Association listed three small cooperatives as members: the Yufeng Tourism Services Cooperative, the Hongwencun Cereals and Oil Processing Consumer Cooperative, and the Baihua Cultural Tourism Services Cooperative.<sup>2</sup>

<sup>1</sup> Phase I Final Report to IDRC: Background Regarding Activities and Results for 1992–93, 8.

<sup>2</sup> Phase I Final Report to IDRC: Background Regarding Activities and Results for 1992–93, 11–12.

At that time, the Association had approximately 100,000 rmb in investment shares and loans with which to support its cooperatives. Investment shares were purchased by scholars and project well-wishers, both Chinese and foreign; YASS provided a loan.<sup>3</sup>

It had long been clear that IDRC funding would not be able to support all of the activities the project wished to pursue. In April 1993, the project originators approached a former Asia Regional Director of the Canadian Cooperative Association and convinced him to make a trip to Kunming “to discuss the problems and prospects of the emerging cooperatives in Lijiang.”<sup>4</sup> As a result, in October 1993, a member of the Canadian team accompanied a delegation of B.C. credit union representatives to Lijiang, funded by the Canadian Cooperative Association. Two members of the delegation were tasked with the responsibility of assessing the feasibility of CCA assistance to the developing credit unions of Lijiang County.<sup>5</sup> As was recognized in the discussion that took place during that visit, it was not legal to start a credit cooperative in the Canadian sense of the term in China at that time. This issue was never resolved, and the ‘Mutual Assistance Savings Cooperatives Association’ existed in name only, though the People’s Bank of China had approved it.

On completion of its mission, members of the delegation suggested that training in the principles of cooperative enterprise planning and management might be very helpful. Training in tourism sensitive to environmental and cultural issues was considered especially crucial given the imminent opening of an airport in Lijiang in October 1994.<sup>6</sup> The Canadian Cooperative Association ultimately funded these and other similar training activities.

<sup>3</sup> Phase I Final Report to IDRC: Background Regarding Activities and Results for 1992–93, 12.

<sup>4</sup> Phase I Final Report to IDRC: Background Regarding Activities and Results for 1992–93, 9.

<sup>5</sup> Report on Canadian Cooperative Association (CCA) Delegation Visit to Lijiang to Assess Credit Union/Cooperative Feasibility, October 1993, 1.

<sup>6</sup> Phase I Final Report to IDRC: Background Regarding Activities and Results for 1992–93, 11.

## ***The Lijiang International Development Research Centre***

Finally, I wish to add one further element to this introduction. As we have seen, IDRC funding for the project's first phase was to end in 1994. In January 1994, in the course of a visit to Lijiang, the project's originators broached the idea of establishing a non-governmental research centre in Lijiang where Chinese and foreign scholars could collaborate on research relevant to economic, social, and cultural aspects of Lijiang's development. Establishing such a Centre had long been a part of the overall project conception if there appeared to be local enthusiasm for the idea. Finding that the reception was favourable, and with an expression of interest in providing further project funding from IDRC, negotiations were begun with the Academy and the local government over premises to house the Centre. Here is an excerpt from a project document:

On August 22, 1994 the Lijiang County government issued Document 65 (1994) declaring its decision to grant rights of use to two buildings owned by the county government...to the Lijiang Development International Research Centre...Work commenced on renovation of the first building with a low-interest loan of Y200,000 from the Academy...<sup>7</sup>

I will not deal in this thesis with the organization and functioning of the research centre, the purpose of the project's second phase. Though interesting and worthy, it was not directly concerned with the initiation of cooperatives. However, the research centre's buildings were central to the project as a whole for various reasons, as will become clear in what follows.

The buildings, two beautiful traditional courtyard houses in a quiet residential part of *Dayan*, gave us accommodation and meeting space that we could afford for all project activities in Lijiang. The facilities were simple. Behind the scenes we wrestled with primitive plumbing, which never worked properly even when new, and learned to ensure that no guests were around for the odorous occasions when the sewage was pumped. (To have indoor toilets at all was unheard of; all residents of Lijiang Old Town depended on outside public toilets.) Showers were infrequent and a luxury; no one minded that the

amounts of hot water the tiny heaters could provide were miniscule. We washed clothes communally; the washing machine was dragged into the courtyard, filled with a hose and emptied with buckets, and clothes were wrung in a free-for-all resembling a tug-of-war. It was wonderful to sit in the Lijiang sunshine, in courtyards filled with huge pots of orchids and bonsai and paved in intricate designs of light and dark stones, resembling the courtyards of our Naxi neighbours. Like Goullart, we found it easy to feel at home, living in such surroundings.

Our first use of the Research Centre took place in December 1994, when a group traveled to Lijiang to deliver the project's first training course. There were five of us – two Canadian team members and three trainers – plus five colleagues from the Academy. This is what I wrote about the Centre shortly after our arrival.

On our arrival, we came directly to the new Research Centre. Mu Jiao has moved his office here so the building serves both as Research Centre and as the offices for the Cooperatives Association. There is another courtyard house further down the street that has not yet been started on. When it has been renovated, it will be the dormitory building with bedrooms, a bathroom and kitchen, while this building becomes offices, a library and a meeting room...The meeting room is big enough to accommodate forty people.

It was very touching when we arrived. Huo Ta says that it was a long process to get the approvals and select appropriate buildings, so by the time that was done, it was already September. They were determined to be ready for our meeting in December, so the pace has been feverish. When we got to Kunming, we were told that they hoped we would choose to stay in the building, but the bathroom and kitchen were not ready and they were afraid some of the concrete might not be quite dry...We decided right away to stay in the building. The plan was that the Academy people would stay at the Party School where we were having our meals; however, Mu Jiao was very anxious that everyone stay at the Centre, now that we have our own place. So there was a flurry of activity to move beds so that everyone could be accommodated. At midnight, it was still going on. It was a good idea, though – it has been very exciting for everybody.<sup>8</sup>

<sup>7</sup> Interim Report on the Situation and Activities of the Lijiang Development International Research Centre (LDIRC) October 1995 – March 1997, 1.

<sup>8</sup> Author's Field notes, 1994, (these notes cover Lijiang visit December 11–24, 1994), 1.

The following day was a momentous one: there was an opening ceremony for the Research Centre attended by the county magistrate, the county party secretary, one of the former members of the *Gung Ho* cooperatives (*Gonghe Laoren*), the Canadian and Chinese team members, and guests. At the ceremony, two beautifully carved wooden signs in Chinese characters, Naxi pictographs, and English, reading ‘Lijiang Cooperatives Association’ and ‘Lijiang Development International Research Centre’, were hung by the entrance.

As Peter Goullart required a courtyard house for his *Gung Ho* office, I believe that these buildings were vitally important to Mu Jiao. It was later pointed out to me – I don’t remember by whom – that the Naxi’s love for their houses is central to their culture. What role Mu Jiao played in acquiring the use of these buildings I am not sure, though I suspect he used his own contacts and resources to help win them from the county government. Certainly, he was delighted with them, and exuded pride of ownership; the Lijiang Cooperatives Association had, most inappropriately he felt, previously been operating from a rented office in a hotel.

### ***How Were the Cooperatives Initiated?***

This is, obviously, a very important question, but it is not easily answered. As I have mentioned, the project suffered from funding constraints; it was, after all, a research project. Equally a problem was the fact that both Canadian and Chinese team members were limited in the amount of time they had to spend. After the two research visits, there were no further activities in which all team members from both teams participated. Rather, individuals devoted what time they could manage on an activity-by-activity basis. Canadian team members were held back by expensive airfares, among other things; Chinese team members were less constrained and were very eager to make the project work.

Thus, Mu Jiao, with a staff of two assistants, fulfilled the role of cooperative organizer to some extent, with the early assistance of two committed and very able Chinese team members, Huo Ta and Lu Quan.

Mu Jiao told us that the Lijiang Cooperatives Association was officially inaugurated in June 1993. He was still head of Baisha Township at that time. He talked with County Magistrate He Mingyuan, who had been a member of the Chinese research team in B.C., about how to develop cooperatives and where to start. Should they start in Baisha or in Lijiang Old Town? He Mingyuan arranged for him to be moved to the Lijiang County Political Research Office. From there, he could research where to start. Based on his research, Mu Jiao thought Hongwencun would be best.

He talked to the leaders of the natural villages – the village heads and the Party secretaries. He also talked to other influential people, for example, elders, people who were skilled in small business and were successful. He said that the villagers were suspicious at first because to them ‘cooperative’ meant the government-organized collective organizations of the 1950s. In the mass movements of that period, these had been known as lower-stage and higher-stage cooperatives. It took him some time to explain to people what a cooperative really was. Mu Jiao and Lu Quan made many visits to Hongwencun in 1993. Their impression was that people were waiting to be informed. For example, in Baisha, the villagers started a cooperative because they thought it might bring benefit to the village. But they didn’t understand until much later what a cooperative was. But though Mu Jiao and Lu Quan talked so much about cooperatives and helped to get them started, until the Academy agreed to provide seed money, they couldn’t offer the villagers what they needed to establish the cooperative.<sup>9</sup>

In May 1995, Mu Jiao told us that he had recently described how the Lijiang Cooperatives Association developed new cooperatives at a national *Gung Ho* meeting in Shanghai. This is what he told *Gung Ho* representatives:

First, they [cooperatives] are based on research, to establish that there is an actual basis before they start. Second, to establish a cooperative, you need to have local resources serving local people. These resources should not be taken away by the State, local government, or outsiders. Cooperatives

<sup>9</sup> Author’s Field notes, 1995, (these notes cover Lijiang visit May 7-30 and Beijing visit May 30–June 4, 1995), 1.

should have a bank or a credit union – a capital source, a funding source. Also, he said, they paid great attention to training.<sup>10</sup>

That May as well, in conversation with Mu Jiao's staff, we learned what was required for a cooperative to gain official status. To establish the Cooperatives Association, they said, they had to gain the approval of the county party committee and the county government. Once those approvals were obtained, they reported to the prefecture government.

A small cooperative would write a report to the Cooperative Association Headquarters requesting the establishment of the cooperative, which the Cooperative Association Headquarters could then approve. Then the Cooperative Association Headquarters reported to the county Party committee and the county government. The Cooperative Association Headquarters determined its criteria for whether or not to accept a new cooperative based, they said, on their research over the previous three years.

First, the buying of shares must be voluntary. Second, the number of members must be a percentage of the whole population of the village. There is no set percentage, but enough to show that the cooperative is not in the hands of a few people. Also, the families investing should have a solid economic background.<sup>11</sup>

We asked about Peter Goullart's rule against family relationships among cooperative members, but the staff said that they felt it was too early in their work to establish a strict rule; also, they had not yet encountered such a situation.

The Headquarters office had written material on cooperative principles, which they sent out to each cooperative, including those that were not yet established.<sup>12</sup> I did not ever see this material and I do not know whether it was written by the Headquarters staff or obtained from the *Gung Ho* office in Beijing, or elsewhere. I will consider later the issue of how effectively Mu Jiao and his staff performed their role as cooperative organizers.

<sup>10</sup> Field notes, 1995, 51.

<sup>11</sup> Field notes, 1995, 38.

<sup>12</sup> Field notes, 1995, 39.

## *The Lijiang Cooperatives Association Staff*

Mu Jiao had two staff members assigned to him by the County government, which paid the salaries of all three as well as their office expenses. Their names were Mu Ri and Mu Wengzhong.

The two started to work on April 10, 1993. Prior to that Mu Jiao had worked on his own. They had nothing – no furniture, no office. They went to the county government for assistance. In June, the government helped them get space in the Nationalities Hotel. They had one room, and they worked there until October of 1994. They did the preparatory work for forming the cooperatives.<sup>13</sup>

Mu Jiao is the boss. He does the important things, and he must also approve minor decisions. Mu Ri is the secretary; he looks after all written material. Mu Wengzhong looks after the money. But the two of them handle the money together so that there is a check on it. Mu Jiao approves all financial transactions.

They also go into the field to work with the cooperatives. They often do investigation of the different cooperatives – sometimes together, sometimes in turn. At the moment, they have no other staff. They themselves have to do the jobs of night watchman and cleaning staff.<sup>14</sup>

Mu Ri was a long-term county government employee, a conscientious and hardworking but cautious man. He was the best educated of the three; Mu Jiao had a few years of primary school education. Mu Wengzhong was educated during the Cultural Revolution. He said that he got as far as junior middle school, but that was in name only.<sup>15</sup> Mu Wengzhong lived in Longquan village, on one of the routes to Wenhai. His wife looked after their two sons and did most of the family's farming while he worked in town. He was the office accountant and its plant expert. Both men expected to follow orders and did so; both were very likeable. Mu Jiao himself was articulate, even eloquent, and very bright, with a commanding, charismatic presence. He was a big, tall man and, in his green cotton suits, we thought he looked very much like the young Mao Tse-tung.

<sup>13</sup> Field notes, 1995, 37.

<sup>14</sup> Field notes, 1995, 41.

<sup>15</sup> Field notes, 1994, 11.



## **The Small Cooperatives**

I wish to turn now to a consideration of the small cooperatives formed in Lijiang during the 1990s. Some material comes from visits and interviews at the cooperative sites over the period of their existence; some is drawn from accounts of the training courses the project delivered during that time because those were the occasions on which members of the cooperatives gathered and discussions of cooperative issues took place.

I will begin with the ‘cooperatives’ as I encountered them at our initial Cooperative Management/Ecotourism Training Workshop, December 13 – 15, 1994. This was my first introduction to the groups Mu Jiao and his staff wished to present as potential cooperatives. Only a few ultimately became official cooperatives; three were so listed at this time. I include the Lijiang Taxi ‘Cooperative’ and the *Yulong* Construction Company both because, as above, they were said to be cooperatives, but also because they were intimately entwined with later developments in the project.<sup>16</sup>

### ***The Lijiang Taxi Company***

Wang Ce quit his job in 1992 and started his first business, a retail enterprise. Three months later, he started a second one. Before he started the taxi cooperative, he owned six retail shops in Lijiang. Then he was approached to help solve Lijiang’s transportation problem. He felt that this would require a large capital outlay, and he thought he could solve this problem by getting people together. He approached Mu Jiao and Huo Ta and got some ideas about cooperatives, then started talking to taxi owners.

At first, it seemed very strange to them, but eventually the taxi owners began to think it was a good idea. Now the cooperative has 200 odd taxis – out of Lijiang’s total of 297 – and they have started their own gas station. Having a cooperative also helped them control quality across the various taxi operators.

He is getting help from his retired parents and also from friends. He personally has a lot of energy and there are opportunities now. He went through all sorts of different jobs – from feeding pigs to many other things when he was younger. He

<sup>16</sup> Field notes, 1994, 1.

wouldn't have been able to do what he did without family support. He thinks a variety of early experience is important...<sup>17</sup>

### ***The Yulong Construction Company***

I recorded these notes at the site where the *Yulong* Construction Company planned to build a sixty-eight-room old-style hotel on a piece of land they obtained from the army. The site included a modern building in which our meeting was held. The speaker represented the company's management.

The *Yulong* Construction Company was founded in 1979. At that time, it belonged to the Huangshan People's Commune and was called the Huangshan Construction Team. There were forty people involved, the best handymen in all of the villages. In the first year, they made 25,000 rmb; in the second year, 50,000 rmb; in the third year, 125,000 rmb. This was still not much. Although talented, they had only built their own houses. Only three out of forty knew how to work with bricks.

1983 was their most difficult year. The Planning Commission decided it wanted to classify all construction companies and then limit the kind of buildings each could build. Their company was restricted to building residences, so they lost contracts. To fight this image of being a village construction team, they did two things: they built this building to show that they could construct a commercial building. It took them three years, because they could only work on it as they had money. They also sent people to Kunming for technical training. In 1985 to 1986, things started to turn around and their earnings from that point increased to 500,000 rmb per year. In 1987, they earned 700,000 rmb. Now they had a local reputation; they were competing not just locally but also with state-level construction companies. They began to get more and more contracts, and now they do 5,000,000 rmb per year of business. They have 200 core workers.

A recent development was adding a team to do interior decoration. The interior of the Research Centre [referring to our project buildings] was their first project. One of their major advantages was that of all the township's enterprises, only theirs had no debt.

<sup>17</sup> Field notes, 1994, 2.

They had never needed to borrow money from the bank. They did not have much in fixed assets, but they had lots of liquid assets. This gave them a competitive edge because they did not have to ask for up-front money, and could even afford to lend customers a bit if they required it.

They were thinking of how best to develop the company; it was at a stage when it was expanding, and they wanted to use their money wisely. The speaker said he admired the cooperative administrative system very much because it was democratic and every member had a vote. There was a good spirit among the employees in his company because it was seen as a model enterprise due to the management's strict supervision. Through the cooperative system, he wanted to build a series of small hotels of which this one would be the first. They had capital they could use as shares. They did, currently, call themselves a cooperative.

He also explained that the township did not interfere, as long as they made money. They would be the sole shareholders and therefore, it seemed, the owners and managers of any enterprises done through their cooperative. Their first venture would be in Liming and Liguang and it would be on a small scale; they did not want to build anything too elaborate there. The company would contribute capital and the locality would provide the land to build a traditional hotel with tennis courts, bars, places where people could eat, buy Naxi artefacts – a *Naxi Cun* (Naxi village)...Also, he added, the construction group would like to go to Canada.<sup>18</sup>

During the workshop, Marty Frost, our cooperative management trainer, asked whether or not the company had issued shares? “They have not. The workers are paid wages. The ownership is still collective – it is owned by the township.” Marty responded that in that case they could not say that they were a cooperative.<sup>19</sup> I noted that I did not see how they were a cooperative, though they seemed to think they had joined the Cooperatives Association and had therefore become a cooperative.

<sup>18</sup> Field notes, 1994, 5, 14–15.

<sup>19</sup> Field notes, 1994, 15.

In 1995, Mu Jiao explained to us his views on the *Yulong* Construction Company and its relationship to our cooperatives project. He said that it is possible to purchase ‘A’, ‘B’, ‘C’ or ‘D’ shares in the Lijiang Cooperatives Association.

You must first be someone who believes in cooperative principles. ‘A’ shares are ordinary shares; they are 50 rmb or whatever each individual cooperative decides. ‘B’ shares are for scholars, foreigners, and so on, and cost 1,000 rmb. ‘C’ shares are for enterprises, and cost 10,000 rmb. For ‘D’ shares, an example is the *Yulong* Construction Company, which will invest 200,000 to 300,000 rmb in the building in Liming. But they must follow cooperative principles. Generally, the minimum price of this kind of share would be 100,000 rmb. Only the ‘A’ shares get dividends. ‘B’ shares, for example, get no interest, and are used to support cooperatives. ‘D’ shares provide money to support cooperatives.

Mu Jiao thought that allowing Wang Ce and the *Yulong* Construction Company to enter the cooperatives through buying shares was the right thing to do. If you did not let them do that, the interest they would charge on a loan would be too high.<sup>20</sup> The benefit to companies such as the *Yulong* Construction Company was that the *Gung Ho* cooperatives had prestige because of their international connections. These donors hoped to obtain information and technical training. The *Yulong* Construction Company wanted to become involved in ecotourism, so its members hoped to get information and training through the cooperatives.<sup>21</sup>

In a conversation with a woman from the Construction Company during the Ecotourism Training Workshop later that year, I was told that, although the Construction Company was an individual enterprise, it was very interested in *minjian hezuoshe* – nongovernmental cooperatives. She said that the Cooperatives Association Headquarters had helped the company a great deal in procuring land. This appeared to me to be a much more convincing reason for the company’s interest in the Cooperatives Association; the fact of the usefulness of the Cooperatives Association’s nongovernmental status was later confirmed for me by a Chinese team member.<sup>22</sup>

<sup>20</sup> Field notes, 1995, 2–3, 57.

<sup>21</sup> Field notes, 1995, 2–3.

<sup>22</sup> Field notes, 1995, 25.

## ***The Plum Processing Factory, Huangshan Village, Huangshan Township***

He Hong, the factory director, said that in the 1960s, Huangshan was a model village in learning from Dazhai.<sup>23</sup> As a result, they closed their eyes to the outside world and thought that they were doing very well. Then, suddenly, they realized that they were behind everyone else. They fastened on the idea of planting fruit trees, but then they had a lot of fruit and no way of keeping it. People from Guangzhou would come and buy plums for less than one cent and sell them for ten cents. Then a retired worker suggested the idea of processing the fruit themselves.

The factory was established in June 1994, following preparations begun at the end of 1993. There were ten workers, including himself – all women except for himself and the man who operated the packaging machine, who was the vice director of the factory. He Hong was a cadre on a fixed salary; he did not draw wages from the factory, but he did receive expenses. He and a person from Zhejiang were the initiators of the factory. They made five products, of which three were plum-based. Things were still quite makeshift, but they planned to formalize production and build new buildings for storage and packaging. Their sole machine was one that sealed the ends of the packages.

Workers were paid 150 rmb per month. Lots of enterprises in the area were paying piecework rates or an hourly wage to keep workers from slacking off, but they did not have that problem. They had had no turnover in their workforce since they started. The work was not seasonal; it was steady through the year. During harvest season, they had to hire temporary workers to help with the harvest and with processing the fruit so that it would not spoil. They also planned to add other fruits. The previous year, they had processed eleven tons of plums. Their total income for that year was 200,000 rmb. However, their net income was very low – just enough not to lose their investment – because production was on a small scale.

<sup>23</sup> Dazhai is a village in Xiyang County, Shanxi. In the early 1960s, it became famous throughout China due to Chairman Mao Tse-tung's slogan 'In agriculture, learn from Dazhai' (*Nongye Xue Dazhai*). Very poor, Dazhai transformed itself into a prosperous village through villagers' united efforts that physically altered its terrain. It was Dazhai's spirit of hard work, self-reliance, and serving the public interest that Mao called on the country's farmers to emulate.

The administrative village now solely owned the factory. It used to be jointly owned by the administrative village and one man who put in some money and later withdrew it. They were very much open to the idea of a cooperative – but the factory was not yet a cooperative. If it became a cooperative – and they were talking about ways to do this – one possibility would be for the administrative village to have a certain number of shares in the cooperative. The administrative village’s investment was 15,000 rmb; the remainder of the factory’s investment funds came largely from a bank loan. They had borrowed 200,000 rmb and paid back 70,000 rmb; they owed the bank 130,000 rmb. The site was public land belonging to the village.

There were not many plum-producing areas in China. They were the sole local manufacturers of this product so they thought there should be a good market in adjoining provinces. However, Guangzhou previously did the marketing, so they had no network. They hadn’t sent any workers for training, though he himself had visited a couple of factories in other places.

We asked whether the village would still allow them to use the premises if they bought out the village loan and became a cooperative? He Hong replied that the intention behind establishing the plum factory was community development, to bring money into the village. If turning it into a cooperative would be better for the community, that would be fine. He Hong said he was very much attracted to the cooperative idea; he jumped at the chance when he heard there might be such a possibility. He explained that they would eventually need to employ thirty to forty workers. They had not had any meetings about forming a cooperative yet because he had only just begun to acquire a rudimentary knowledge of cooperatives. Before, he didn’t know anything. He thought they would meet not only with workers but also with villagers.<sup>24</sup>

In discussion, He Hong said that the production process was not a problem. They were using a process they had introduced from Zhejiang, and it seemed to be working well. They were, however, experiencing a lot of management difficulties. They had already gone through two managers and now they did not have any. In both cases, they

<sup>24</sup> Field notes, 1994, 11–12.

had reached a point where the manager was not able to make a decision or to function effectively. At present, He Hong was serving that function temporarily.

Shortage of capital was an ongoing threat to the enterprise's sustainability. They had started with about 20,000 rmb, which was enough for a while, but then it began to run out. It had been very hard to get a loan from a bank, so the person he had mentioned previously was taken on as manager because he could bring money with him. This man decided, however, that there was nothing in the venture for him, so he left and took his money with him.

He Hong felt that the factory's greatest need was for help with marketing, which they knew nothing about. At present, their only outside marketing contact was Huo Ta, one of the senior members of the Chinese research team. He said, "If you look at our brochures, you will see that they have Huo Ta's phone number on them." Marketing help was badly needed. As far as their finances were concerned, they had 150,000 rmb in inventory on hand that, if they were able to finish and sell it, would allow them to break even. The big question was whether or not they could sell their inventory.<sup>25</sup>

Marty suggested arranging visits to the factory, trade fairs, and, finally, a marketing cooperative to serve several producers. He Hong explained that, in China, hosting visitors at your factory was a matter of paying off and incurring obligations and was too expensive. Similarly, trade fairs cost more than they could afford. Selling their product at a food stall at a trade fair was more possible. They had sent samples to the China Travel Service for a tourist products display; they had also made the product available on a commission basis to Kunming's three biggest food stores. But though the product was available there, the stores did no advertising for it. Marty felt that the factory should be able to concentrate on production; a marketing cooperative seemed the only viable solution.<sup>26</sup>

<sup>25</sup> Field notes, 1994, 4.

<sup>26</sup> Field notes, 1994, 4–5.

## ***The Hongwencun Cereals and Oil Processing Consumer Cooperative***

This cooperative was able to establish itself due to the intervention of the young Chinese research team member placed in Lijiang for the year, who persuaded the Academy to contribute 50,000 rmb for the equipment to get it started. The cooperative's director said that Lijiang is an important canola-producing area; the canola is also of excellent quality. As well as milling grain, the cooperative pressed canola for oil.

The cooperative started in September 1993. There were eighty-seven members and forty-three households involved – about half of the households in the village. Some villagers were suspicious of cooperatives, so they were waiting to see what would happen. The speaker was confident that others would join as they saw it doing well. Shares were 100 rmb each, but the contribution from member shares was not enough to support the founding of the cooperative, so the village contributed money to build the building. The cooperative charged members and others to mill there, but they ran it as a community service, so it was not making a profit. About sixty percent of those using the service were members. The cooperative charged the same fee to members and non-members; the difference was that members shared some of the profits. The cooperative had a Board of Directors with five members, of which one was a woman, and a Supervisory Committee with three members.

The cooperative was only able to offer five rmb per day in wages. Members thought that no one would work for that amount, so it was decided that initially the director of the cooperative would live in the building and do the milling. Members have held three membership meetings searching for a solution to this problem. Some people wanted to rotate the work, but others feared this might damage the machines. So up to now, the director and one other person were still doing the milling. Cooperative members realized that the two men could not be expected to do this forever: the cooperative needed to be able to pay someone a proper wage.

The cooperative charged .80 rmb to mill 100 jin of grain whereas others charged 1.00 rmb. Members thought it was important to keep it that way. The quality of the milling was high, and people came from other places. The average daily milling figure



was two tons per day. For the canola oil pressing machine, the fact that they charged .08 rmb per jin where others charged .10 rmb per jin had brought them business.

Mu Jiao said that currently people sold their grain and oil crops to the State Grain and Oil Bureau, which did the processing. In future, more farmers hoped to take over the processing themselves. So far, the Oil and Grain Bureau remained opposed. But people could process their own oil and grain; they did not have to give it to the Bureau to process. He mentioned a new policy – local development walked on two legs and one of them was ‘*minbande*’ – nongovernmental.

Marty Frost asked how much it would cost the cooperative to hire a professional miller? The answer was fifteen rmb per day, given that he could live in the building. This would be the wage for someone who knew how to take care of the machines as well as operate them. In addition to solving the milling problem, the cooperative hoped in future to build a retail store directly across the road. Members also hoped to expand the present building because the oil processing area was too small. Once they could run a retail store, they would buy grain and sell processed flour. The cooperative had earned a profit of 3,400 rmb from the time it started until the present; members planned to put this money into the development of the premises.

Mu Jiao added that the Cooperatives Association Headquarters had loaned this cooperative 20,000 rmb for equipment and 20,000 rmb for operating expenses from its revolving loan fund. The cooperative had repaid the first 20,000 rmb and still owed 20,000 rmb.<sup>27</sup>

### ***The Yufeng Tourism Services Cooperative***

Yulong village, the site of the cooperative, is poor. A teacher from the village school, Zhao Zhijun, wanted to do something for his village. He quit his job, and obtained a 40,000 rmb loan to establish a tourist site in the village. He employed several people, built buildings, made a parking lot and opened some small shops. Lu Quan and

<sup>27</sup> Field notes, 1994, 13–14.

Mu Jiao persuaded him to turn his venture into a cooperative.<sup>28</sup> The cooperative was founded on March 1, 1993; each year, the cooperative had to return 1,400 rmb on its loan.

One problem for the cooperative was a contradiction between the village and the County Construction Bureau. The forest and the mountain belonged to the village, but the temple that the tourist site was to serve was under the management of the Construction Bureau. It should have been placed under the Cultural Bureau, but money was needed to repair the temple buildings and the government had been able to get the funds by putting the temple under the jurisdiction of the Construction Bureau. The village leaders doubted that the government would resolve this problem because it would cost money to do so. Unfortunately, the township government had no money to invest.

The village had 593 households. The cooperative had eighty-six shares held by 24 members. There were eight households with eight shares; the rest were individual shares. Three households had both family and individual shares. The shares were 50 rmb, and they were deposited for five years at 12.47 percent interest. Thus, people who bought the shares would eventually receive 14.50 rmb per share. (I am not sure what these figures mean; I have not been able to make sense of them.)

The village committee discussed the affairs of the cooperative, but the cooperative itself decided what to do. In the opinion of one of the members, most villagers understood and supported having the cooperative, but because they didn't have much money, many were afraid to buy cooperative shares.

The cooperative did not have a Board of Directors. There were no formal meetings of the whole membership, but they often had informal meetings in the village. People were very busy; it was not easy to get everybody together. Each year, they had meetings before the busy season. People did not all meet together in one place. The cooperative had a meeting at the end of the year to report on the year's progress. The cooperative agreed with the cooperative principles mandated by the Cooperative Association, of which there were six. The cooperative's regulations were the same as those promoted by the Cooperatives Association.

<sup>28</sup> Field notes, 1995, 2.

Three members worked for the cooperative, earning 110 rmb per month each. In 1993, there was no profit after paying the village its management fee, plus tax and expenses. But they did break even. In 1994, they did better, because there were more tourists. The cooperative used the responsibility system and had regulations about days off, working cooperatively, and so on. When the cooperative earned a little more, their salaries were higher; when it took in less, they earned less. They understood this. The woman selling snacks was a cooperative member, but her income was separate from the cooperative. She paid nothing to the cooperative because her income was low.

Another problem for the cooperative was that all of the income from the temple gate receipts went to the Construction Bureau. However, the tourists threw away a lot of garbage and the cooperative had to take responsibility for picking it all up. This needed to be done every two or three days. They once had to employ four workers, but the Construction Bureau paid nothing.

Changes in the village leadership also caused difficulties. The former village leader paid great attention to the cooperative. But in the previous year, there had been three changes of leadership. The new village head wanted to put the cooperative under the leadership of the village committee. Zhao opposed this, of course, realizing that it would then become a village enterprise, not a cooperative. There also appeared to be problems between Zhao and his brother, Zhao himself being a former village leader, his brother a current village leader.<sup>29</sup>

Our ecotourism trainer, Brian Falconer, commented that the temple should be protected, that it should not be restored, that the murals should be viewed in small groups to avoid damage to them, that the group should not build any accommodation in the village but have people stay elsewhere, unless they were going to stay in people's homes. For ecotourists, he said, the harder it was to get to a site, the better. "You don't need a road. If you want to do ecotourism, you must protect what you have."<sup>30</sup>

<sup>29</sup> Field notes, 1995, 10–14.

<sup>30</sup> Field notes, 1994, 6.

## ***The Baihua Cultural Tourism Services Cooperative***

Niu Ai, the village head, was interested in developing tourism in Baihua, his hometown. He Mingda, the leader of a traditional dance troupe, was also interested. There were 110 households in the village. Baihua was a prosperous community and derived a good income from apples, dairying, growing vegetables and flowers. The village is only five or six kilometres from Lijiang town, and it had surplus labour. Villagers were not busy, apart from the agriculturally busy seasons. Thus the Baihua cooperative had the advantage that people were not dependent on it for income. Last year they received foreigners seven or eight times.<sup>31</sup>

In addition to the dance troupe, the village also had a Naxi classical music group. Organized in 1978, it started with six members. They had proper old classical instruments, which the group in the Old Town did not, since old instruments were now very hard to find.

The cooperative was established in July – August 1993, after our visit and following visits by the staff of the Cooperatives Association Headquarters. Members had invested in a total of fifty shares, each costing 100 rmb. About ten members of the Naxi classical music group as well as some members of the dance troupe belonged to families who had purchased shares. The cooperative had been given temporary use of a courtyard with three buildings, one old, two new, built on land owned by Professor Niu Qun, who was resident in Kunming. Niu Qun came from the village; the land had been in his family for many generations, and he would eventually live there when he retired. The complex was to include the cooperative headquarters, a small guesthouse, and a car park.

The Board of Directors had four members, including Niu Ai and his brother, Niu Shu. They had met many times, sometimes with all of the villagers, sometimes with cooperative members, but informally. They did not have a loan. Niu Qun provided 50,000 rmb for construction of the new buildings. If the cooperative developed well,

<sup>31</sup> Field notes, 1995, 23.

they would borrow to finance activities.<sup>32</sup> I note that we visited Baihua, heard the music group, and saw three of the five or six homes that wanted to open as bed and breakfast places.<sup>33</sup>

### ***The Tacheng Cultural Tourism Cooperative***

Mu Ang represented a cultural tourism cooperative, yet to be established, in the village of Tacheng. Tacheng is close to Zhongdian, 160 kilometres from Lijiang. The village is historically significant because of a chain bridge, built in the Sui dynasty (589 – 618). The administrative village is comprised of seven natural villages, including a Tibetan village. (The other six villages are Naxi.) The population is 8,500 people; seventy-five percent are Naxi.

Mu Ang was a teacher who had taught in his village for twenty years. He spoke of himself as a dancer and singer and as a teacher of traditional Naxi dance. He started a dance troupe in 1991, taking the troupe to Guangzhou where they were well received. He was then asked by the Lijiang County government to do cultural work to help revitalize Naxi culture.

From Mu Ang's description, Tacheng appeared very suitable for ecotourism and cultural tourism. Because of its remoteness, traditional ceremonies had been preserved, for example, ceremonies to ensure good harvests. In other places these had become performances, but here they were still living cultural practices. Another example was burial services, which included purification by fire. Tacheng still had a relatively large number of *Dongba* priests – about a dozen - to serve the six Naxi villages. They sang a large number of traditional Naxi songs, for weddings, drinking songs, and so on. They wanted us to visit Tacheng. Huo Ta thought this would be a good idea.<sup>34</sup>

<sup>32</sup> Field notes, 1995, 25–28.

<sup>33</sup> Field notes, 1994, 14.

<sup>34</sup> Field notes, 1994, 8–9.

## ***Yuhu and Wenhai, Baisha Township***

Yuhu consists of three natural villages – the upper and lower villages and Wenhai. The administrative village is called Yuhu and is not separate; nor are the upper and lower villages. There were 287 households in the three villages. Wenhai is three kilometers away (12 kilometres from Longquan, the usual hiking trail for visitors). The upper and lower villages are at an altitude of 2,700 metres, 300 metres higher than Lijiang Old Town; Wenhai is at an altitude of 3,300 metres. Yuhu was considered poor, Wenhai, very poor.

### ***Yuhu***

There are several famous scenic spots in the area. Yuhu also had the largest expanse of grasslands in the county. Before the 1950s, the village's elders' committee was very active; it protected the area's natural resources and its culture. There was an excellent system of village rules. Later, the natural environment was spoiled. The forests were contracted to families; some forests were individually held, some collectively held. This contracting out happened in most places in 1983, and led to tree cutting by individuals. Until 1993, the cutting was very severe. In 1992 or 1993, there was a document opposing the cutting of the forests; thereafter, Yuhu was selected as a site for a University of California at Davis project. Yuhu was chosen particularly because it had suffered severe environmental destruction. U.C. Davis was to help to establish a tourism cooperative, the purpose of which was to provide another base for the economy so that trees would not be cut down. The cooperative planned to restore Joseph Rock's former home as a tourist site and construct a trekking lodge for ecotourists. In terms of forest preservation, there had been some progress. Some families were selling the horses and mules they had used to haul logs. In the past, villagers had done very well with cows and sheep; they described a strong cooperative tradition in tending animals.

A family was living in the Rock house. The next step for the U.C. Davis project was to buy a piece of land and build a house for the family so that they could move. In November 1994, a village meeting was held and it was agreed that the county would

improve the road and pay for land and a new house for the family; U.C. Davis was to do the interior renovation of the Rock house and build the trekking lodge.

The villagers would contribute their labour to build the trekking lodge and they would work in it. Labour would be converted to shares. Fifty families with money would buy shares; the poorer families would not be able to. (More than thirty households lacked sufficient food and clothing and another ten households were especially poor.) The cost of the shares would be fifty rmb. The cooperative had not yet elected a Board of Directors and a Supervisory Committee but planned to do so.

At a recent Party meeting, it had been decided that the village must grasp this opportunity provided by Canadian and American support, but there were difficulties in meeting the high demands of the family currently living in the Rock house. The villagers were very eager to have a cooperative and for it to engage in other activities in addition to the Rock Museum. An increase in and improvement of animal husbandry and ecotourism were thought to be the best possibilities for Yuhu.<sup>35</sup>

### ***Wenhai***

Wenhai was one of the poorest villages in Lijiang County. The village borrowed money from the Cooperatives Association Headquarters to renovate an old building as a lodge for tourists, but they worried about being able to repay the loan, and about whether tourists would actually come to their village. The village was not electrified, and there was no road, only hiking trails. Villagers used horses to transport goods to and from the village, and it would be possible for tourists to be led on horseback up to the village.

Wenhai was a rich source for milk and butter; villagers were able to grow potatoes, white cloud beans, and Sichuan peppers. The village also had a beautiful small natural lake beneath snow-capped mountains, which for part of the year was filled with water, and the rest of the year was an alpine meadow covered in wildflowers. Stocking the lake with fish was a possibility. It would cost 10,000 rmb to provide electricity for everyone in the village utilizing five small hydroelectric generators, but the village would

need financial help to be able to do this. Apart from ecotourism, the village head felt that their products could be marketed through their cooperative, which needed, in his opinion, to be comprehensive. (The village head was to be a member of the Board of Directors when the cooperative was set up.) Villagers felt that to have a cooperative, they needed seed money.<sup>36</sup>

### ***Liming and Liguang, Liming Township***

Liming and Liguang were Lisu villages, very poor, nestled at the foot of spectacular red cliffs with nearby stands of old-growth trees and surrounding rhododendron forest that provided one of the county's outstanding natural settings. The villages had just been electrified, and there was a road, though it was a steep dirt track, full of ruts, impassable during the summer monsoon rains.

Liming Township had no money. The *Yulong* Construction Company's plan was that it would pay the township 300,000 to 400,000 rmb for land and buildings, which it would then renovate as a tourist hotel. Since the buildings currently housed the administrative village's offices, the sum the construction company paid would cover the cost of a new office building as well.

Then the construction company decided that it would lend the money to the Cooperatives Association, which could lend it to a Liming cooperative once one was formed. The Cooperatives Association Headquarters did not have the money itself to do this, and it was not possible to raise enough money through share contributions. This plan had not yet been carried out, but it was under discussion. Some members of the *Yulong* Construction Company did not agree to the company investing money in this area, thinking it too poor and remote.<sup>37</sup>

<sup>35</sup> Field notes, 1995, 23–24, 29–31.

<sup>36</sup> Field notes, 1995, 8.

<sup>37</sup> Field notes, 1995, 54.



## The First Cooperative Training Workshop

As mentioned above, this workshop was held in December 1994; it was funded by the Canadian Cooperative Association. Marty Frost of CRS Workers' Cooperative did the cooperative management training at the workshop. Dubbed 'Makesi' (Marx) by Lijiang people for his splendid white beard, Marty was one of B.C.'s most experienced and well-known cooperators, and I think we could not have had a better person to give the initial cooperative management training. This was especially true, since Gao Hongzhi, a member of the Canadian team, had also worked at CRS and was able to add both his knowledge of the cooperative and his fine skills as an interpreter.

The other significant aspect of this workshop was an excellent presentation by one of the Chinese team members on the background and history of the Lijiang *Gung Ho* cooperatives of the 1940s. She continued this history through the 1950s and 1960s and on to the period following the introduction of the agricultural reforms in 1983. She spoke of the Naxi cooperative tradition, giving instances, and showed how this tradition formed a foundation for cooperatives. Finally, she considered the question of what a cooperative is and why one might want to form one. This session was especially successful because it provided the workshop participants with an understandable Chinese context for cooperatives and because it was not delivered through an interpreter.<sup>38</sup> I will return to the subject of cooperative management training in the context of a later workshop.

Here, I wish also to briefly discuss Brian Falconer's ecotourism presentation because, for a time, the ecotourism cooperatives worked and the philosophy behind them was influential. Ecotourism and ascertaining the feasibility of establishing a network of ecotourism cooperatives had been a central aspect of our initial research; the ideas Brian put forward built on a groundwork already laid by members of the Canadian and Chinese teams. Brian spoke and gave a slide presentation at the workshop, which he was then asked to repeat for members of the county government.

<sup>38</sup> Field notes, 1994, 19–20.

We had realized that to support a network of ecotourism cooperatives we needed a knowledgeable, sensitive person in the business, both to assist in training and to bring initial groups of eco-tourists to provide the cooperatives with practical experience. Brian Falconer was a B.C. ecotourism operator, recommended by Skidegate Haida contacts on the basis of his work in Haida Gwaii, to which he escorted tiny groups of carefully selected people.

The principles of ecotourism that Brian, his partner Erin Nyhan, project team members and others taught and practiced became widely known in Lijiang, though they were several years ahead of their time. Years afterwards, in the later 1990s, visiting Canadian team members were often stopped in the streets by people who told us that everything we had predicted for the future of Lijiang if the industrial tourism model were embraced had happened. If only, they said, we had listened.

Brian's message was simple. Lijiang, still pristine and untouched, had a choice to make, between industrial tourism and ecotourism. In his view, Lijiang was perfectly suited to ecotourism, while industrial tourism would have a brief success and an unsustainable future. Also, outsiders would reap the profits of industrial tourism whereas, with ecotourism, since it is community-based, the money would stay in the hands of the community. Like industrial tourism, ecotourism could also bring in surprisingly large amounts of money, as for example with bird watching, which had created nine billion dollars in revenue in the U.S. that year. Ecotourism, he said, was now the fastest growing aspect of tourism. This emphasis on the fact that ecotourism could bring in substantial revenue was included specifically at our request.

It is important for you to remember that tourists aren't all like the tourists you see here now. There are suitable tourists that you can attract deliberately – not just the ones who happen to have made their way here. You must decide what facilities you will provide. Some people will tell you that tourists must have hot water, comfortable hotel rooms, and so on. That isn't true. Lots of travelers will hang off the end of a rope and sleep on the ground. So you must decide who you are and what level of services you want to provide and then find the right people.<sup>39</sup>

<sup>39</sup> Field notes, 1994, 6.

He talked of the importance of taking experts on his trips – a naturalist, an anthropologist. He described ‘true adventure’ and ‘soft adventure’ ecotourism, and said that ecotourism is loosely defined as providing experiences for travelers.

One thing important about the experience is solitude and being away from other people. In a busy world, this is important to people. So tour operators liaise so that they won’t be in the same place at the same time; they make arrangements so that people can feel the experience is theirs alone. Each experience has its level and its capacity. Very special places must be managed very carefully. People will pay lots of money for this.<sup>40</sup>

He talked about First Nations peoples and preserving their cultures, and about the Haida Gwaii old villages sites and protecting them by limiting numbers to ten people at a time, and not at the same time. “We take nothing but pictures; we leave nothing but footprints.” He felt that eco-tourists would similarly be fascinated by Naxi people’s stories; their genuine art and culture; and meeting their artists.

As well as being interested in big animals, he said, people are interested in small forms of wild life, such as insects, plants, wild flowers, and birds. He thought that walking tours on which people could see birds might be a very good thing for people in Lijiang to consider. He explained, “Birders get up at 5:00 a.m. in the morning. They don’t want to stay in big hotels; they prefer bed and breakfast in people’s homes.”<sup>41</sup> All of these activities could be started on a small scale, preserving high quality, without a lot of capital.<sup>42</sup> We found that Brian’s slide presentations were a very successful means of conveying these ideas across cultures.

The first trip bringing one group of Canadian ecotourists to provide training for the ecotourism cooperatives took place in November 1995. Two groups came in February and March 1997, and another three groups in the period from February to April 1998. Groups were never larger than ten guests, and trips lasted three weeks. The Lijiang earthquake of February 3, 1996 caused us to suspend most project activities other than providing what assistance we could. Tourism was affected only briefly.

<sup>40</sup> Field notes, 1994, 7.

<sup>41</sup> Field notes, 1994, 7.

## ***Discussion Following the Workshop***

Of the ‘cooperatives’ represented at the training workshop, we considered only Hongwencun, the Plum Processing Factory, Yufeng and Baihua to have any possibility of being or becoming cooperatives. Tacheng and the U.C. Davis ventures at Yuhu and Wenhai interested us. The taxi company and the construction company were clearly out-for-money enterprises and would remain so; though we found Wang Ce a sympathetic character, we were horrified by the construction company and especially by its plans for Liming. Since Liming and Liguang were Lisu national minority villages, it seemed particularly insensitive to propose building a ‘Naxi Village’ there, not to mention the fact that, as a cultural ‘theme park’, this was a concept in direct contradiction to the kind of tourism we supported. It was in this context that Canadian team member Gao Hongzhi remarked that, of course, we knew about the *Yulong* Construction Company’s director being Mu Jiao’s younger brother, a fact I had previously not known. The implications of this family connection became clear only gradually.<sup>43</sup>

The Hongwencun cooperative had been formed to meet a real village need: it was simply too far for villagers to transport grain to the nearest place that would mill flour and press oil for them. We found this a convincing reason for the founding of the cooperative; the level of village participation and the number of villagers that had bought shares also impressed us. The weakness in this cooperative’s situation appeared to be the position of the two men operating the machines. There was no money to pay them proper wages, but it was unreasonable to expect them to continue working for so little. I also noted that, at the workshop, we met the two men who did the work, but we did not meet any of the members, most of whom were women. We also felt that the Plum Processing Factory held some promise as a possible cooperative. The conception made sense; we were aware of the popularity of the kind of preserved plums the factory produced. The workers seemed genuinely to want to form a cooperative, and to exhibit a cooperative spirit among them. Their debt was small enough to make buying out the township’s

<sup>42</sup> Field notes, 1994, 9.

<sup>43</sup> Field notes, 1994, 11, 24.

share feasible. But marketing was a huge problem that had to be solved if the venture were to be financially viable.

The Yufeng Tourism Services Cooperative was in its beginning stages. During our visit to Baisha in 1992, we were told that an average of forty tourists per day visited the tourist attractions there, but the prefecture controlled the area tightly. The township did not have enough power to do what it wanted.<sup>44</sup> That, in addition to its other difficulties seemed not to bode well for the cooperative. However, there seemed hope for greater village support. The village was very poor, and had no other resources apart from farming. The Baihua Tourism Cooperative appeared to have potential. Its classical music troupe, Naxi dancing, and the meals it served to us and proposed to serve to eco-tourists were spectacular. But, at that point, it appeared to lack cohesiveness and energy.

In discussions with the trainers, Marty Frost said that he felt he had met people who wanted to make money, people who had as yet not connected with the value systems either of cooperatives or of ecotourism. In his view, the next step should be analysis of local resources for the development of cooperatives, with training to this end done by the Cooperatives Association Headquarters. This should result in a comprehensive plan.<sup>45</sup>

Project team members were feeling discouraged. The young Chinese team members saw Baisha and Baihua as not at all genuine because, in their opinion, villagers there simply saw cooperatives as a possible way to increase incomes – and in fact the villages were pretty prosperous anyway.<sup>46</sup> They talked about the Hongwencun cooperative as an example of something quite different. The village loves it, they said.

Nobody would steal anything from them; they can leave their doors open. The reason is that they are really serving the village and the village really helps them. This relationship is very significant. You can tell the quality of an enterprise by people's views of it and its relationship with them.<sup>47</sup>

<sup>44</sup> Field notes, 1992, 51.

<sup>45</sup> Field notes, 1994, 10.

<sup>46</sup> Field notes, 1994, 10.

<sup>47</sup> Field notes, 1994, 22.

They felt also that the villagers at Wenhai were genuinely interested in cooperative development from the grassroots up. They said that people kept coming to them with questions and thoughts as to how they could become involved in cooperatives. When the team members took these ideas to Mu Jiao, however, and pressed him to invite someone from Wenhai to the training class, the person he invited was the township head whom they had not even met. They said this man had no knowledge of or interest in cooperatives; Mu Jiao had sent away the two representatives our team members had proposed who were supposed to attend. Also, the person representing Liming was someone from Lijiang whom the Cooperatives Association Headquarters had picked out to go to Liming and start a cooperative; he had not lived there and knew nothing about the place or about cooperatives or tourism. Reflecting on these problems, the Chinese team members commented that Mu Jiao had lived in Lijiang all his life and was thus caught in a network of relationships he had to deal with.<sup>48</sup> They confirmed that, as far as they knew, Hongwencun, Yufeng (Baisha) and Baihua were the only official cooperatives. Of these, they thought only Hongwencun could properly be considered a cooperative. The other two were still in the process of getting organized.<sup>49</sup>

I noted also Mu Jiao's later comment to me that he thought the best that could be done, probably, was to leave Lijiang to industrial tourism and build ecotourism through cooperatives in Lijiang County's outlying villages like Liming and Tacheng. Though I would certainly not have agreed at the time, in this he turned out to be quite right.<sup>50</sup>

## **Renovation of the Lijiang Development Research Centre Buildings**

Also during that 1994 visit, Mu Jiao and Huo Ta informed me that, though both the Academy and the Canadian team were under the impression that the 200,000 rmb loan from the Academy was to cover the renovation of both buildings, in fact all of the

<sup>48</sup> Field notes, 1994, 10, 25.

<sup>49</sup> Field notes, 1994, 24.

200,000 rmb had been used on the first building. Could we provide 100,000 rmb to renovate the second building?<sup>51</sup>

Later, Mu Jiao told me that they had spent 230,000 rmb thus far on Building One. Building Two was to have twelve rooms, six with their own bathrooms, and would cost 350,000 rmb to renovate.<sup>52</sup> This news came as a substantial shock to both the Academy and the Canadian team.<sup>53</sup>

Given that we had been clear about the limited size of our resources, I was also surprised by Mu Jiao's 'wish list' for Building One:

...he feels that they need a camera, a television set, a VCR, a video camera, a computer, desks, lamps, a Chinese typewriter, a fax machine, a vehicle – also a car park, which would cost about 300,000 rmb. A vehicle would cost 300,000 rmb, unless it was possible to get it tax free, in which case it would be half the price. He feels he needs a telephone at his home, which would cost 10,000 rmb. (He priced a still camera at 1,000 rmb, a Chinese typewriter at 10,000 rmb.) He added that he needed an interpreter, an accountant, and a lawyer (part-time).<sup>54</sup>

Mu Jiao explained that he received 500 rmb per year from the county government for all expenses apart from wages for each of his staff members. His wages were a bit more than 400 rmb per month, while his assistants earned a bit more than 300 rmb per month. He said that he used the 60,000 to 70,000 rmb, contributed by people who had bought

<sup>50</sup> Field notes, 1994, 16.

<sup>51</sup> Field notes, 1994, 17.

<sup>52</sup> Field notes, 1994, 30.

<sup>53</sup> As a result of developments that took place over the subsequent four years, the *Yulong* Construction Company finally submitted an invoice for renovation costs to the two buildings of 650,000 rmb. At the request of both the Chinese and the Canadian partners in the project, this amount was audited by the county government, which declared a final figure of 494,613.43 rmb. (A member of Mu Jiao's staff privately estimated the materials cost for Building One at 29,880 rmb.) The *Yulong* Construction Company and Mu Jiao found the audited amount unacceptable, and I do not know how the matter was resolved. There was no Canadian investment in the buildings. The issue was significant to us inasmuch as it involved Mu Jiao and the *Yulong* Construction Company, and it explains our attitude towards the company, both at the time and subsequently. It cast a pall on our relationship with Mu Jiao, and we feared that the Academy's loan money might not be repaid. It also called into question the feasibility of the second phase of the project, which had depended on modest revenue from scholars' room rents as part of its financial support. Perhaps most damaging, with this debt hanging over the project, it also hampered our ability to attract further funding.

<sup>54</sup> Field notes, 1994, 30.

shares in the Lijiang Cooperatives Association, as a revolving loan fund, lending it out to the cooperatives and getting it back, so that he could loan it out again.<sup>55</sup>

## Subsequent Training Workshops

In later years, the project utilized funds from the Canadian Cooperative Association to organize the following training workshops.<sup>56</sup> Practical Training for the Bakery ‘Cooperative’, October – November, 1995, which provided hands-on instruction by Dana Weber of Vancouver’s *Uprising Breads* workers’ cooperative bakery; an Ecotourism Training Workshop, November 18 – 19, 1995 led by B.C. ecotourism operator Brian Falconer; a Cooperative Management Training Workshop, December 18 – 19, 1995, led by Gao Hongzhi of CRS Workers’ Cooperative in Vancouver; a Training Workshop on Cooperative Business Planning, January 8 – 10, 1996, led by Bill Wright, a Vancouver lawyer specializing in B.C. credit union policy and legislation; an Ecotourism Training Workshop March 27 – 29, 1998, with presentations by Brian Falconer, Louisa Smith, and Garth Lenz. Louisa Smith is an elder of the Henaksiaia First Nation; she spoke movingly about the preservation of cultural heritage and the culture-destroying effects of the residential schools system on the First Nations children of her day. Garth Lenz is a well-known B.C. free-lance photographer who took project photographs at the request of the Canadian Cooperatives Association.

As time went by, we gained experience and the workshops became increasingly productive. After the first one, during which participants were somewhat shy and

<sup>55</sup> Field notes, 1994, 30.

<sup>56</sup> Research and training involving Participatory Rural Appraisal (PRA) was also a significant aspect of the project. I have not dealt with PRA in this chapter of the thesis because, with many project activities, each team member had time for only some of them. Thus, unfortunately, it was not until several years later that I gained PRA experience. In December 1993, a PRA Training Workshop was held in Kunming attended by members of the Chinese and Canadian teams and Mu Jiao of the Lijiang Cooperatives Association. In October 1996, LDIRC staff, among others, took part in a PRA training course in Lijiang. The course was filmed and resulted in a video: *In Our Own Hands: Exploring Tools for Community-Based Planning in China*.



reluctant to speak, we learned to spend at least one day, two, if possible, working with one cooperative at a time on each one's specific problems and questions.

Of these workshops, I would like to discuss one in particular: that given in December 1995 by Gao Hongzhi on cooperative management. Gao was a natively Chinese-speaking member of the Canadian team; he had been a worker member of CRS Workers' Cooperative, described in Appendix 1 of this thesis. He was thoroughly conversant with day-to-day cooperative life and had, in addition, written a Master's thesis on workers' cooperatives. Gao's depth of experience and knowledge, his understanding of our cooperative members' difficulties, and the fact that he could speak to them in their own language combined to make this workshop outstandingly successful.

Gao explained in detail what a cooperative is, what workers' management means, and how it could be carried out. He asked the group what members thought a shareholding cooperative was and explained that in a genuine cooperative, the most important thing was workers' management. To have workers' management, it was not necessary that the cooperative be totally worker-owned. If it were worker-owned, only workers would hold shares. But you could have other people holding shares, as in a shareholding cooperative, as long as you had workers' management.

Having workers' management, he explained, meant workers together deciding all the detailed questions involved in starting and running a cooperative.

Will we have a cooperative? Then, what will the cooperative produce? Where will the money come from? Where will the technical skills come from? What equipment should we buy? And on to what price should we charge for our products; what time will we come to work; how will we look after children; what rest periods should there be for workers? Having worker management, worker control, means that you decide all these questions together. To see how much control you have, you just need to go down that list. If all you get to decide is when you have rest periods, you don't have workers' control.

He talked about sharing knowledge in a workers' cooperative. If some people have knowledge and others don't, there should be teaching, or changing jobs so that everybody learns. He talked about 'mass markets' as opposed to 'niche markets', and how to set prices. He talked about doing market research.

The more you know, the better your decisions will be. It is a matter not just of opinions, but of the evidence that backs them up. This is why you need good market research. So workers need to make decisions together, but they must be informed decisions. It is important to offer opinions and make decisions together because that is the way people become equal.<sup>57</sup>

He asked participants to hand in questions on slips of paper, which helped ensure the participation of ordinary members rather than just leaders, who, accustomed to speaking at meetings, tended to dominate discussion. In response to a question about cooperative management, he replied that there could be the same problems as with socialism: for example, “everyone having responsibility can mean no one having responsibility.”

This comes back to the question: why have a cooperative? If your answer is: ‘to make money’, you would be better off with an individual enterprise. To make a successful cooperative, the closer together people are in their ideas, the better. The first step, which you haven’t really taken yet, is to sit down and talk to each other. You need to talk about your reasons for entering the cooperative. It should be because you want to work together and have an equal relationship.

Gao explained that although he had his own job, when he arrived at his workplace, he always looked to see who was busy, who needed help. He stressed the importance of each worker’s motivation and attitude.

If you can’t answer the question of why have a cooperative, if you finish your own work and lie in the sun, if your ideas are too far apart, you will have trouble running a cooperative. Of course, this is not something you can do immediately: it takes time. If you weren’t close together initially, you can meet together and come closer together.<sup>58</sup>

In response to a question concerning the process for electing a Board of Directors, Gao described the steps that ensured that the election would be democratic and the outcome acceptable to members.

Everyone can suggest people, including the fact that an individual can put forward himself or herself. A list is compiled. Then the individuals on it must be asked if they are willing to stand. From that, you have a final list

<sup>57</sup> Author’s Field notes, 1995–1996, (these notes cover Lijiang stay October 5, 1995 to February 1, 1996), 26.

<sup>58</sup> Field notes, 1995–1996, 28.

of people who have agreed. Then the people campaign. Finally, they speak before the whole cooperative, all members. Then everyone votes. The person who polls the most votes is elected. If the result is not clear, if people are not satisfied, it is done again... The more workers participate, the more committed they will be.<sup>59</sup>

The discussion continued in this detailed, very informative manner. Unlike our first training workshop the previous year, in this case most or all members of a cooperative came for their particular session. The discussion was lively, and I think it had the effect of reaching and educating members for the first time. That this was the case became evident later.

## **Subsequent Cooperative Development**

### ***Economic Change and Shareholding Cooperatives***

A subject that first arose at the December 1994 Training Workshop was a relatively recent form of economic organization known as a joint stock or shareholding enterprise (*gufen gongsi*) – a combination of a collective enterprise and a share-holding company. But this was new in Yunnan and complex; so far, there was no model. It had been worked out differently in different parts of China. It typically featured a factory director who was not elected and a contract system in which a contract was signed with each worker and with the director. Working out the system of shares could be very complicated. Shareholding systems varied and reflected a diversity of ownership systems. This was in part because many such enterprises resulted from ownership structure reorganization of enterprises formerly collectively owned by townships or villages. Some had even been small state-owned enterprises; still others were private enterprises that had been individually owned, or jointly owned by two or three individuals. Some, as well, were organized from the outset as shareholding entities rather than incorporating a pre-existing enterprise.

<sup>59</sup> Field notes, 1995–1996, 29.

A Chinese team member told us that in 1993, the government had passed regulations requiring enterprises to become share-holding enterprises. They were to register, and then to issue individual shares, collective shares, and development shares. In her opinion, the regulations were intended to establish a status for village and township enterprises. She was not specific as to the level of government involved, and she provided no further detail.<sup>60</sup>

In May 1995, Mu Jiao attended a large meeting on cooperatives held in Shanghai, sponsored by the revived Beijing *Gung Ho* (ICCIC) organization. Mu Jiao was the only one of us to attend this meeting and the account that follows came from him. At the meeting, delegates discussed the question ‘What is a cooperative?’

They talked about ‘*gufenzhi*’, ‘*gufen gongsi*’, ‘*hezuoshe*’, ‘*hezuogufenzhi*’, and ‘*gufenhezuozhi*’ – various terms for the system of share-holding, share-holding companies, and share-holding cooperatives. The meeting concluded that the criteria that made an organization a cooperative were one person, one vote; compensation according to labour; democratic participation; and democratic management. All cooperatives should have these features. A cooperative must also have a public accumulation fund and a public welfare fund.

But they felt that the *Gung Ho* cooperatives of the 1940s were appropriate only for their period. They cited “Darwin’s theory,” arguing that to be strong and survive, cooperatives had to develop to suit the conditions of a new period. They must be competitive. If they are weak, they must be allowed to go under. They felt that some small cooperatives of the 1990s were not successful because they fit that earlier period and not the present one. Something that did not work should not be used as a model. But others disagreed with this view, suggesting that there could be several models for a country as large as China.

There was discussion of a Shanghai ‘cooperative’ which had two kinds of shareholders: ordinary shareholders who were members of the current workforce and retired workers of the factory; and retired officials, mostly from outside the factory.

<sup>60</sup> Field notes, 1994, 20.

Decisions made by shareholders were not based on the principle ‘one man, one vote’ but rather on the number of shares an individual owned, as in a typical joint stock venture. In this “shareholding cooperative,” seventy percent of the workers were not shareholders. Thus, people argued over whether or not it could rightly be called a ‘cooperative’.

Delegates agreed in the meeting that competition should be introduced, but not that one model should be put forward. There should be economic profits, but there must also be labour cooperation, economic cooperation, and sharing of skills – not just shareholding, which would reflect only economic cooperation.

Mu Jiao commented that he had previously had no idea that cooperative theory could be so complicated. He also said he felt that the relationship between cooperatives and government was an important one – that support from the government side was crucial, and that both sides should be active in the relationship.<sup>61</sup>

### **The Bakery ‘Cooperative’**

The formation of the Lijiang bakery ‘cooperative’ occurred within these mutually reinforcing contexts of ownership structure reform of village and township enterprises on the one hand and discussion within ICCIC of shareholding enterprises and cooperatives on the other.

Mu Jiao saw a bakery cooperative as being a venture that, unlike the other cooperatives, would not be small. He thought a large venture was essential to convince Lijiang people of the efficacy of cooperatives, and he felt that this needed to happen quickly.

Wang Ce of the Taxi Company was the motive force behind the bakery ‘cooperative’. In a meeting we had with him in May 1995, he said that the idea had occurred to him following the Training Workshop the previous December. He felt that there would soon be large numbers of tourists in Lijiang due to the strong support for Lijiang tourism development at both the provincial and national levels. He thought that

<sup>61</sup> Field notes, 1995, 50–51.

tourists would want white bread, but nobody in Lijiang was producing it. “A bakery will be a ‘window’ for Lijiang, based on *Gung Ho* principles.”<sup>62</sup>

He wanted to start the bakery as a real cooperative. It would be a new organization, different from the Taxi Company. It might include some people from the Taxi Company, but most would be new. There would be some investment by the Taxi Company on the basis of shares – how much would depend on how much investment was forthcoming from other sources. He hoped for technical assistance from Canada. He emphasized that he wanted the management system to be based on ‘one person, one vote’, not ‘one share, one vote’.

The bakery ‘cooperative’ would be a big investment. He thought it would require about 500,000 rmb, of which 220,000 rmb would be needed to cover equipment costs. He had found a place where they could rent facilities for five to ten years.

He thought that about eighty percent of members should be working members, but there would be twenty percent who could be ‘social independent shareholders’ – individuals from the community who would hold shares but not work in the cooperative. The value of shares required to join the cooperative could differ in amount – 1,000 to 2,000 rmb, 5,000 rmb. But in any case, members would have only one vote; working shareholders would receive dividends, while non-working shareholders would not. He had promises of 40,000 rmb from shareholders recruited to that point, and expected to get another 60,000 rmb; he himself planned to contribute 100,000 rmb. He still needed 300,000 rmb. In any case, he was going ahead; he had already ordered the equipment.<sup>63</sup>

### **Changes at Hongwencun**

Formerly, the Hongwencun cooperative had paid a small wage to the workers who operated the grain milling and oil pressing equipment; later, they decided to contract the work to two people. Members felt that the cooperative provided an excellent service

<sup>62</sup> Field notes, 1995, 61.

<sup>63</sup> Field notes, 1995, 61–65.

to the village, saving villagers a lot of time, but the return to the cooperative was very little.

In February 1995, the members of the cooperative had a meeting to see who was willing to accept the milling contract. No one else wanted it, hence the two men who had been doing the milling from the time the cooperative was founded, the Chairman of the Board of Directors and the Chairman of the Supervisory Committee, agreed to continue assuming this responsibility. Under the terms of the contract, they paid 4,000 rmb annually to the cooperative as well as paying for electricity and machinery repairs. The contract gave them five rmb per day each to cover these expenses. To resolve the issue, there were five meetings with the Board of Directors and two meetings with members, in which a few members wanted to sell the machinery to pay the cooperative's debts. If the cooperative had sold the machinery, members could have paid the debts and earned a small profit because the machinery had appreciated, but that would have ended the useful community service the cooperative provided.

Under the contract system, the cooperative members received a fixed sum, whereas the more money the two men made, the more they got. The contract had a ten-year term. However, the two men's view was that if the cooperative made very good profits, they were more than willing to renegotiate the terms of the contract with members. The important point was that nobody else would agree to take on the task. From the sum that the cooperative received each year, it would repay its loans before taking any dividends. The members had all agreed to this. As security against the 35,000 rmb still outstanding on the cooperative's loan, they had their building, which could be sold for 30,000 rmb. The cooperative had a very good image and reputation with the villagers. At their mill, the longest wait was one to two hours; formerly, it could take a whole day to have your grain milled. The village leaders commented that even if the cooperative failed financially, they would not let it go under.<sup>64</sup>

Chinese team members said that in their view this was the most successful cooperative as a cooperative. Its democratic management was best: the cooperative had

<sup>64</sup> Field notes, 1995, 16–17.

already held two members' meetings. Mu Ri of the Cooperative Association Headquarters noted that this cooperative had developed out of the most difficult conditions. He said that the cooperative closed for two months to discuss how to make it work. They had overcome many difficulties, such as members wanting to sell the machinery, and now they seemed to be making progress. The question was how could they add to what they were presently doing? Some members took the processed oil and sold it at the market, which earned them ten rmb per day. They had also thought of making noodles, which they would like to do, but for which they would need a machine. Their flour was much in demand because it was fresh; noodles would be the same. A machine would cost 1,000 rmb. But they would need two machines, so they would need 2,000 rmb.

The village leaders commented that they learned about democratic management from the December Training Workshop. Formerly the Board of Directors made decisions before consulting members. At the workshop, they had learned that they should consult members.<sup>65</sup> In 1998, Mu Jiao commented that this cooperative badly needed additional loan money but, unfortunately, none had been found.<sup>66</sup>

### **Transforming the Plum Processing Factory into a Cooperative**

In May 1995, we visited the Plum Processing Factory and spoke with Factory Director He Hong. He said that, after the December 1994 training class, they began the process of turning their enterprise into a shareholding cooperative. They calculated the value of all of the assets – the property, equipment, funds, etc. as shares. They democratically elected a Board of Directors and a Supervisory Committee. Voting was done not according to the number of shares but according to 'one man, one vote'. There were 1,004 shares, each share costing 100 rmb. There were sixty-eight shareholders, with workers holding individual shares. There were also 'collective shares'. For example, the administrative village held shares. There were 'social organization shares' held by organizations (for example, the cement factory and the Cooperatives Association)

<sup>65</sup> Field notes, 1995, 17.

<sup>66</sup> Author's Field notes, 1998 (these notes cover Lijiang stay February 20 to April 16, 1998), 2.



and ‘social individual shares’, held by individuals, for example, villagers who did not work in the factory.

The ‘social organization’ shareholders had the same rights as others, but they did not get interest. To work in the factory, you were required to hold a minimum of ten shares. Of the sixty-eight shareholders, twelve shareholders were workers in the factory. The Board of Directors had five members. One was He Hong, the factory director, one was the accountant, and one was a worker. The others were Mu Jiao, representing the ‘social organization’ shareholders and a township government official representing the ‘collective organization’ shareholders. There were three members of the Supervisory Committee: the Party Secretary of the administrative village of Huangshan; the enterprise manager of the township, who knew accounting; the manager of the welfare committee of the prefecture. This man had an individual share; he was not representing the welfare committee or any organization. They had carried out the responsibility system for factory directors, in force in enterprises throughout China.

You are paid thirty rmb if you are a member of the Board of Directors as well as being a worker. The factory director and the accountant and the party secretary from the administrative village have two jobs, not one. They get 100 rmb per month from the factory plus fifty rmb per month as subsidy for holding their positions. The accountant is an employee of the cement factory; the party secretary also gets a salary from the administrative village. As far as the other workers are concerned, no difference is made between the manager of a workshop and an ordinary worker. Both are paid seven rmb per day for twenty-six days per month. If they work more than twenty-six days, they get overtime at rates of 6.50 rmb and 7.00 rmb. Sometimes they work shorter hours in agriculturally busy seasons. Then they are paid 225 rmb per month for thirty days work. They work eight hours per day. Everyone accepts that there will be “hard times in the beginning.”<sup>67</sup>

Lu Quan said that the people from the Plum Processing Factory who attended the December 1994 training class asked at the time about turning their enterprise into a cooperative. She talked to them a little bit, but she was astonished when they went ahead

<sup>67</sup> Field notes, 1995, 20–22.

and did it. She thought it would be very interesting to watch its development. She said that the Director, He Hong, studied very hard and was learning all the time.<sup>68</sup>

A Chinese team member's (He Jiangyu's) wife said that she had tried to help the enterprise but gave up because the people, while very nice, seemed to have no sense of how to plan and carry out a business. She said that when she went through all the figures with them, she found that they could earn only 10,000 to 20,000 rmb profit per year. To her, this meant that what they were doing was not worth the effort.<sup>69</sup>

As regards the Plum Processing Factory's reorganization as a shareholding cooperative, I had an interesting meeting in May 1995 in Kunming with Bruno Roelants, then China representative of 'Brothers of All Men', an organization linked with the International Cooperatives Association. He said that there must be a carefully maintained distinction between a shareholding enterprise and a shareholding cooperative. To qualify as a shareholding cooperative, there were criteria that must be adhered to – for example, 'one man, one vote' – because the revived *Gung Ho* (ICCIC) organization, of which the Lijiang Cooperatives Association was a part, was a member of the international cooperative body. Another criterion was that workers must have at least fifty-one percent of the votes. This was absolutely crucial. With workers holding less than fifty-one percent of the votes, an organization was a shareholding enterprise and not a shareholding cooperative.

He viewed the Plum Processing Cooperative as problematic in this regard. Nine out of twelve workers were from outside the village, hired when the factory was a village enterprise. In his opinion, the factory chose people from outside because they would be obedient and because they would accept lower wages than the villagers demanded. There were fifty-five votes in the hands of external shareholders. This was not acceptable.<sup>70</sup>

In October 1995, I noted that Plum Processing Cooperative Director He Hong impressed me, as he had on previous encounters, as being sincere and genuinely

<sup>68</sup> Field notes, 1995, 44.

<sup>69</sup> Field notes, 1995–1996, 6.

<sup>70</sup> Field notes, 1995, 73–74.

interested in cooperatives. The cooperative, he said, was doing well; the members took pride in it. It had expanded its number of products to seven. Also, they had made arrangements with a company in Kunming to which they would sell their products and the company would market them. On the other hand, he said that they had barely enough operating capital to keep going. They have not been able to proceed with the building, which was still partly finished.<sup>71</sup>

He Hong said that they needed help with packaging, which was the most difficult part of their operation. He raised the question of a new packaging machine, and said that they would like technical assistance of the kind that we gave to the bakery cooperative. They thought a packaging machine might be cheaper in Canada.<sup>72</sup> In 1998, Mu Jiao reported that, with the help of the Academy, the Plum Processing Cooperative had been able to secure a loan of one million rmb. He did not say, and unfortunately I did not ask, where it came from.

### **Developments at the Bakery ‘Cooperative’**

The buildings and a large piece of land had been bought by the *Yulong* Construction Company and provided to the Bread Factory as shares for thirty years. The land was strategically placed (though not for a bakery) very close to the roundabout leading to the airport road. In future, the ‘cooperative’ planned to build a 400-metre access road to link it to the main road, and an elaborate Naxi style building near the road where the products of the cooperatives could be sold.

The bakery opened on September 28, 1995. Some of the key workers were trained in Shanghai for one month and the equipment factory sent people to provide a twenty-day training course. Wang Ce’s brother-in-law was the head of the baking workshop. The Cooperatives Association Headquarters contributed 16,000 rmb; Wang Ce’s taxi company put in 100,000 rmb. The *Yulong* Construction Company put in 160,000 rmb. Wang Ce’s brother-in-law contributed 10,000 rmb and another person contributed 30,000 rmb. Shares were 2,000 rmb each and you could join for as little as

<sup>71</sup> Field notes, 1995–1996, 2.

the cost of one share. There were seventeen workers, but they needed to increase shortly to twenty-four workers to be able to run three shifts of eight workers each.<sup>73</sup>

Mu Jiao told me when I visited in October 1995 about the two hectic months they spent getting the Bread Factory functioning. He was one of the people who had gone to Shanghai, and he described the great difficulty of getting the equipment to Lijiang. Then there was the problem of wondering whether, given their lack of experience, they could actually make bread that people would like. Then the exhilaration of the first batches and the realization that, yes, indeed, they could make not just acceptable bread but a product better than anything else around. He talked about setting up a stand on the road outside the factory and having as much bread as they could bake sell instantly. They did some publicity, and, according to his account, they were all ecstatic, thinking that everything would continue to progress as fast and as well. Now, however, they were in a slump. Once novelty was no longer a factor, it turned out that their baked goods, though superior to those of the competition, were more expensive than the Lijiang market would bear. Their ingredients were expensive – eggs, for example. Also, they appeared to have set their prices high to try to recoup some of the initial large capital outlay.<sup>74</sup>

Of the seventeen workers, six were men, the rest women. The baking technician was a woman, while the man who was the workshop head was also in charge of the machinery. The workers were all required to be shareholders, most putting in only the one, required, 2,000 rmb share. At the moment, each of them received a living allowance of 150 rmb per month because the wage amounts had not yet been decided. Eventually, the ‘cooperative’ hoped to pay an average wage of 400 rmb per month.<sup>75</sup>

The Bakery had made none of its Western-style products since Dana Weber left, following the practical training he gave the bakery workers in the fall of 1995, “because there was no market for them.” Another reason was that the one person who had learned

<sup>72</sup> Field notes, 1995–1996, 16.

<sup>73</sup> Field notes, 1995–1996, 3.

<sup>74</sup> Field notes, 1995–1996, 11–12.

<sup>75</sup> Field notes, 1995–1996, 3.

what Dana taught – Wang Ce’s brother-in-law – was visiting a sick relative.<sup>76</sup> In December 1995, Wang Ce called to say that all members of the bakery would get together for a one-day planning session to discuss what to do for the next year. They invited us to attend. We were pleased and waited to be told a time and place.<sup>77</sup>

In January 1996, at a training workshop given by Bill Wright, members complained that Wang Ce, the general manager, was often not at the factory, and that the workshop head, his brother-in-law, was inexperienced. They also said that they knew there was supposed to be a meeting to elect a Board of Directors, but they didn’t know when it was supposed to be – they knew it had been postponed once.<sup>78</sup>

In March 1996, Wang Ce said that he wanted to talk to me about the problems of the bakery. He said that the members were unhappy about the fact that the election had still not been held. Some – he didn’t say how many – had said that they would leave to look for other work. They said they would remain members and would leave their money in the bakery, but they would not work under these conditions. He said that he wanted to have the election when we were in Lijiang in December – January, that it had been postponed until then, but when the time came, Mu Jiao said he wanted to wait until after we had gone.<sup>79</sup>

When I inquired, Mu Jiao said that the elections in the small cooperatives should wait until the next time we came. He said that they still needed to consider further the matter of the bakery’s election and other issues. The bakery building had suffered some damage in the February earthquake, but it was difficult to know how the equipment had fared because there was no electricity. He thought it would take until June or July, or the end of the harvest season, for things in Lijiang to be back to normal.<sup>80</sup> In May, I talked to Mu Jiao, who phoned me. He said that Wang Ce had been removed from his position as

<sup>76</sup> Field notes, 1995–1996, 21, 60–61.

<sup>77</sup> Field notes, 1995–1996, 36.

<sup>78</sup> Field notes, 1995–1996, 60–61.

<sup>79</sup> Author’s Field notes, 1996, (these notes covers visit to Lijiang March 14 – 23, 1996), 3.

<sup>80</sup> Field notes, 1996, 5.

manager of the bakery. A woman who was a cooperative member had been given his position. There was nothing to suggest that any such process as an election for a Board of Directors or a Supervisory Committee had taken place. In fact, Mu Jiao's description of what had happened made it rather clear that this was a top-down selection.<sup>81</sup>

During a visit to Lijiang in February 1997, I noted that the bakery seemed to be virtually defunct. It was still producing a little, according to Mu Jiao, still not moved to new quarters, and suffering a lack of funds.<sup>82</sup> The latest object of Mu Jiao's enthusiasm was apparently a Naxi classical music troupe from a village in Huangshan Township, which he had installed to play in Building One of the Research Centre. I wrote at that time:

He is having a stage built and setting up in competition with Xuan Ke [head of a very popular classical music troupe in Lijiang Old Town]. If it is a success, he hopes to persuade the county government to allocate a permanent place to his group. Of course, he calls it a cooperative.<sup>83</sup>

And about the bakery:

In all this scurrying about over the music troupe, the bakery, which used to be the focus of interest, seems to have been left hanging in the wind. Its stands in town are gone. When I asked Mu Jiao, he said that they are producing a few things in the same quarters as last time, that is, partly in their old building behind the new hotel and partly in a shack that was supposed to be temporary.<sup>84</sup> When I visited, I found only four people working at the bakery – three women and one man. The rest of the seventeen workers have been laid off. They only work sometimes. Sometimes, some of the workers distribute their products. That's what the workers today were doing. But the managers were obviously very depressed. The four workers were making the Tianjin specialty *ma huar*, and they were terrible...<sup>85</sup>

<sup>81</sup> Field notes, 1996, 10.

<sup>82</sup> Author's Field notes, 1997, (these notes cover Lijiang stay February 20–May 14, 1997), 6.

<sup>83</sup> Field notes, 1997, 3.

<sup>84</sup> Field notes, 1997, 10.

<sup>85</sup> Field notes, 1997, 23.

A year earlier, in January 1996, Mu Jiao had had another pet project. I recorded what he told me about it.

The land and buildings used by the bakery belong to the *Yulong* Construction Company. They could also have an ecotourism centre there. Our Research Centre cannot accept ordinary tourists, so they could accommodate them there. They plan 200 beds in buildings that already exist, fronting on the main road. Their centre would have Naxi characteristics, with five traditional courtyard style buildings to be moved from army land onto the building site. The project is to cost six million rmb and will be done by the *Yulong* Construction Company. There will be shops facing on the street: the cooperatives will have space there to market their products, etc. They would organize as a cooperative.<sup>86</sup>

That last sighting appeared to mark the end of the bakery. In February 1998, Mu Jiao reported that the bakery had suffered a lot from the earthquake and the equipment couldn't be repaired; I found this questionable. He said that the plan was to turn the premises into a Naxi hotel, as above, under a share-holding system. What to do with the bakery, he said, had not been decided; they needed to hold a meeting to decide.<sup>87</sup>

### **The Demise of the Yufeng Cooperative**

By October 1995, Zhao Zhijun, leader of the cooperative and the strong motivating force behind it, had been removed from his position; this apparently had something to do with contradictions between him and his brother, the village party secretary. The new leader appeared to have contracted the temple area. He said that he could take in lots of new cooperative members but also that, if not, he would run the area as an enterprise. He seemed to have talked about buying out the former cooperative members, of whom, he said, there weren't very many.

According to the contract, the new leader paid 18,000 rmb to the administrative village government and he got to keep any revenue above that amount. I noticed that the cooperative sign had been removed – apparently Zhao Zhijun had taken it with him.

<sup>86</sup> Field notes, 1995–1996, 13–14, 53.

<sup>87</sup> Field notes, 1998, 2.

When I visited, the state of the area in front of the Yufeng cooperative building was very depressing. It was garbage-strewn and looked uncared for. The buildings were not being looked after. The little shop and the snack stand were gone. There were no signs of preparations for visitors. Out front was a table of people drinking white liquor and playing mahjong.<sup>88</sup>

I observed that it seemed to me not to be a cooperative any longer, and Mu Wengzhong said that was right. The Cooperatives Association Headquarters no longer counted it among their cooperatives.<sup>89</sup>

### **Developments at the Baihua Cooperative**

In November 1995, we took an eco-tourist group to Baihua – and found that no arrangements had been made for us, though the village had been notified of our coming well in advance. Instead of playing for us, the classical music troupe had gone off to Lijiang to play for the Cultural Bureau. Despite the lack of preparation, the evening turned out to be very pleasant for everyone, and the guests were unaware of any problems. We had planned to stay overnight, however, and were unable to do so.

All three staff members of the Cooperatives Association suggested that Niu Ai, one of the two main organizers of the Baihua cooperative, was a problem, but that the other man was very good. They said that part of the difficulty was that, as previously noted, Baihua was simply too prosperous. The cooperative was attracting some visitors, and members appeared to be settling for what they could get rather than developing the cooperative further. Construction of the new building was stopped in the middle and had not progressed further. The women, though, were lovely and the guests were delighted.<sup>90</sup> In January 1996, two of the women from the cooperative attended a training workshop,

<sup>88</sup> Field notes, 1995–1996, 1–2.

<sup>89</sup> Field notes, 1995–1996, 3–4.

<sup>90</sup> Field notes, 1995–1996, 8.



where they said that the women were impatient with one of the two leaders of the cooperative and wanted to run it themselves.<sup>91</sup> Nothing seemed to come of this, however.

The Baihua classical music group made a permanent arrangement with the Lijiang Cultural Bureau and without its presence in Baihua, and given the difficulties with arrangements, with regret, we could no longer take groups there. The cooperative did not exist in any meaningful way, and it was dropped from the Cooperatives Association's list.

### **Developments at the Wenhai Cooperative**

Wenhai was special. It was very evident why the young Chinese team members and the UC Davis representative were all so enthusiastic. People were overwhelmingly kind and hospitable. Escorting eco-tourist guests, one could sit happily with a group of women and chat about women's issues; a local veterinarian who doubled as the village doctor would take anyone interested to gather medicinal herbs, all of which he explained. The village school welcomed visits, and a tiny old man, chain-smoking all the way, escorted would-be mountain climbers, inevitably leaving them astonished and gasping, far behind. As far as I was concerned, never having visited the Swiss Alps, Wenhai was as close to my childhood vision of Heidi's village as I had ever been.<sup>92</sup>

During the Ecotourism Training Workshop in November 1995, a representative of the Wenhai cooperative presented the following information to the group. He said that Wenhai's cooperative shares were thirty rmb each, and the cooperative had sixty-seven members. (Each person held one share.) They had previously thought that the cooperative could raise some cows, but they had now spent all of their money. They would like, eventually, to have twenty cows. They could sell milk and butter, but also the price for calves was good. Calves would pay for wages, both for a person to look after the building, and for people to care for the cows. Twenty cows would cost 10,000 rmb. They could buy them a couple at a time. The milk and butter would be used for the cooperative's guests and to provide cooperative operating expenses. In future, they

<sup>91</sup> Field notes, 1995–1996, 71.

<sup>92</sup> Field notes, 1995–1996, 8–9.

would buy a few horses and mules, too. They currently had money for the generator they needed.<sup>93</sup>

Earlier in November, Brian Falconer and I and Mu Ri from the Cooperatives Association Headquarters had visited the cooperative with a group of eco-tourists. I noted that on the second night, after the dancing, Mu Ri and I went to calculate money with the cooperative leaders, about seven of them. I was very impressed as I sat with them while they deliberated. It was a genuinely participative decision. I was also delighted by the way they had shared the work of our visit around so that several members benefited. They planned to rotate these tasks with each group of visitors so that all cooperative members that wanted to could have a turn. They had chosen a Board of Directors, a Supervisory Committee, an accountant and a cooperative director. It seemed that they might be successful, though it appeared crucial also to help the cooperative develop other activities in addition to tourism.<sup>94</sup>

In March 1997, we visited Wenhai with the second group of eco-tourists:

Two different women cooked for us, but the men helped. I also noticed that the dishes were carefully washed in hot water, with soap. They really seem to be very aware and to be doing everything in a most intelligent way. For example, they had visited Tacheng to look at their bathroom and shower.

We learned that the village currently had about 200 cows and that the cooperative had not yet earned enough money to begin to add cows gradually, as they had planned. They had to use the money they had on hand and what they got from us (IDRC) for earthquake repairs. They also spent money for the toilets, which were excellent, constructed with white tile on the bottom and kept clean by a constant flow of water. They planned eventually to bring all households into the cooperative and to repair the back building of the lodge, which has not yet had any work done on the inside. They also planned to have solar heating for the showers, when that became possible. The village was still trading butter for grain, and needed a mill for grinding grain – barley and wheat. Mu

<sup>93</sup> Field notes, 1995–1996, 15.

<sup>94</sup> Field notes, 1995–1996, 8–9.

Wengzhong thought this would cost 4,000 to 5,000 rmb, but it could cost as much as 10,000 rmb for the motor and the mill if they were milling grain for human consumption.

The only assistance they asked for from us was in helping to publicize the village and to bring in more guests. The electricity lines were just about ready to go in. We saw the cuts they have made for them when we walked to the nearby Yi village, but we did not ask how much it would cost a household to be hooked up.

My field notes contain an itemized account of the cost of our stay. The charge was eighty rmb per person per day, which included lodging and meals. Wages were for twenty-seven people at twenty rmb per day and five people at thirty rmb per day. We paid 2,770 rmb and gave the cooperative a 700-rmb contribution to repair the stove in the kitchen. Their costs for labour and food were 2,018.45 rmb, so their profit was the difference between these amounts.<sup>95</sup>

I note that I was especially pleased to see that, with a cooperative of fifty households, they had managed to spread the work and the income among thirty-two people. We made two further ecotourism visits to Wenhai, both of which were greatly appreciated by the visitors. In 1998, Mu Jiao summarized his views on the Wenhai cooperative by saying that, though he felt the scale was too small, the cooperative did help with local financial problems. He added that he had encouraged the cooperative to pay a small dividend to members that year.<sup>96</sup>

### **Developments at the Tacheng ‘ Cooperative’**

In November 1995, we visited Tacheng with the first group of eco-tourists. The village has twenty-eight households and 118 people. We were astonished to find that Mu Ang had put up a cooperative sign that closely resembled the one at the Cooperatives Association Headquarters. He had not asked the permission of the Cooperatives Association Headquarters to do this, nor had he gone through any of the procedures for forming a cooperative. There was a ribbon-cutting ceremony for the sign, then

<sup>95</sup> Field notes, 1997, 11–12.

<sup>96</sup> Field notes, 1998, 2.

performances and dancing after supper. Mu Ang had arranged his own home so that it could accommodate all fifteen visitors in the group. He had also built a bathroom with a Western style toilet, which could be flushed with a hose, and a shower. In my field notes, I recorded my impressions on the prospects for development of an ecotourism cooperative at Tacheng.

Mu Ang's 'cooperative' so far has no members and I don't think it will have many. He said that the little group around him – all relatives and maybe some friends – will join whenever he wants them to. He does have good ideas – he thinks villagers could make hemp and silk cloth, wooden bowls, and dried fruit – all as cottage industries. It does not seem either to me or to Brian that Mu Ang is likely to attract many tourists here without outside help. One of our group commented that he has the experience too organized – unlike Wenhai. The dancing, for example, is a performance, not something that people do naturally. In their performance also, it was evident that Mu Ang had introduced many elements that are not Naxi, but could be from anywhere in China. He said that the reason that everyone was staying at his home was that the Cooperatives Association Headquarters and the local authorities were concerned for the safety of the guests since this was the first time a foreign group had visited. Next time, he said, we can stay in other homes in addition to his.<sup>97</sup>

Tacheng was remarkable as a completely traditional and very beautiful Naxi farming village. Both Mu Ang and his mother did Naxi throat singing and, as promised, the village had several *Dongba* priests. But the special experience of Tacheng was to walk downhill among its terraced fields, with teams of oxen pulling wooden ploughs, stopping here and there to talk to the farmers and visiting their homes in response to their friendly invitations. Some of our guests had grown up on farms – one was still actively farming – and there was great interest in learning the details of local agricultural practices.

We gave Mu Ang decided credit for having built the toilet – unasked – but explained that, if we were to bring more guests, he would have to form his cooperative officially and that it could not be limited to his family members. We made one further visit and, finding no change, did not return.

<sup>97</sup> Field notes, 1995–1996, 9–10.

## **Developments at Liming and Liguang**

In the end, the *Yulong* Construction Company did not attempt to form an ecotourism cooperative in Liming and Liguang. Mu Jiao said the reason was that the Canadian team was opposed.<sup>98</sup> I suspect, however, that the disagreement among company members, mentioned earlier, as to the profitability of the venture given the remoteness of the area, was probably the deciding factor.

## **Reprise on Collaboration**

As mentioned above, the visits we were able to make to Lijiang over the years of the project's life were limited in number and duration. We found that correspondence in the interim periods was difficult. Chinese team members were busy and translators were few and in high demand. In the end, we communicated in writing only when absolutely necessary.

On visits, however, our relationships with YASS Chinese team members remained collegial and warm. The friendships developed during the research phase of the project were strong, and they stood us in good stead as we began to encounter project problems requiring mutual consultation and decision-making. When we visited, at least part of the time was spent on research, and we continued to conduct research together with Chinese team members.

We also had new collaborative relationships to form – with the staff of the Lijiang Cooperatives Association, and with members of the Lijiang local government. These relationships were different from those we had with members of the Academy. Academy members were scholars; there was a mutuality of experience. Relationships with the Cooperatives Association Headquarters staff were complex and differed at different times and with different people. Personally, I found them enjoyable at some times and frustrating at others. With members of the local government, our relationships also varied according to the official involved – some officials were excellent, some not – but

<sup>98</sup> Field notes, 1995, 54.

we soon found that these were not collaborative relationships: they were strictly hierarchical.

In May 1995, with several Canadian team members visiting, we had an opportunity for long discussions with the staff of the Lijiang Cooperatives Association and with Chinese team members. These discussions were especially interesting to me where they dealt with cooperative issues.

We spoke, for example, of the importance of seed money for the cooperatives. One of the Chinese team members commented that she felt like a fraud, because they had talked so much about cooperatives and helped to get them started, but couldn't offer them the loan funds they needed to begin operations. She added that Goullart had said that money was crucially important at the outset. From that base, people would learn how to form and run cooperatives. While Goullart sometimes had difficulty with his region's provision of funds to his office, he always managed to find money to lend to the small cooperatives. Providing loans to cooperatives was a principle of *Gung Ho* operations at that time.

Another Chinese team member remarked that, in his experience, villagers generally felt that they needed financial support to get started; he thought that villagers would not engage in cooperatives without seed money. You couldn't just go and talk to people. It was equally a problem, Chinese team members felt, that some groups were interested in starting cooperatives only because they thought there would be foreign money.<sup>99</sup> It was important, they added, to talk with ordinary cooperative members, not just with the leaders, and to talk, as well, to people in a village who hadn't joined a cooperative. From them we would learn what was really happening in our cooperatives.<sup>100</sup>

We discussed Hongwencun: what did it mean for the two men to contract the machines? Did it mean that the other members had become their 'bosses'? In a conversation later that month with Bruno Roelants of 'Brothers of All Men', I found that

<sup>99</sup> Field notes, 1995, 7.

his view was that when the two men were contracted, the cooperative became simultaneously a workers' cooperative and a consumer cooperative. There were then two groups with differing interests, responsibilities and problems.<sup>101</sup>

Chinese team members talked about the problem of what the people want to do as opposed to what the project wants or is able to support. At Yuhu, for example, U.C. Davis wanted to support a Joseph Rock Museum, whereas the villagers were interested in animal husbandry, producing milk and butter, and farming.<sup>102</sup> Mu Jiao suggested that we have experts from Canada and the Academy evaluate our four cooperatives and discuss how they might develop. What would they be able to do in five years? A Chinese team member thought we should research the problems that cooperatives might have and how you can solve them.<sup>103</sup>

With Mu Jiao and his staff, we discussed how to institute democratic management both between the Cooperatives Association Headquarters and the small cooperatives and within the Cooperatives Association Headquarters itself. We thought that members of the small cooperatives should sit on a Board of Directors for the Cooperatives Association Headquarters and that it should have a Supervisory Committee as well. Chinese team members agreed, and said that the Cooperatives Association Headquarters was the headquarters, but must stop being the boss. The small cooperatives should be able to participate in decisions on how the Cooperatives Association Headquarters' money was spent. They felt that Mu Jiao's staff members should start expressing their opinions instead of keeping quiet and should push for democratic management. Interviewed in Mu Jiao's absence, the two staff members agreed.<sup>104</sup> Nothing ever came of this.

<sup>100</sup> Field notes, 1995, 1–3.

<sup>101</sup> Field notes, 1995, 2–3, 74.

<sup>102</sup> Field notes, 1995, 7.

<sup>103</sup> Field notes, 1995, 56.

<sup>104</sup> Field notes, 1995, 42–43.

We discussed the question of where the money could or should come from to support cooperatives. Mu Jiao's view was that the way to develop cooperatives was to use able people and people with money. But we were opposing this. He felt that people would flock to whichever kind of economic organization turned out to be most successful. His question was why couldn't we use private money? We said that we feared that the person who had the money called the shots – a cooperative would be swallowed up. Mu Jiao talked about the bakery; one of the reasons he wanted to do it, he said, was to demonstrate the success of something big. He felt that everything we were doing was too small in scale. The success of a small cooperative would have no broader social influence.<sup>105</sup> Not surprisingly, we didn't reach agreement on this issue.

In a later meeting with Chinese team members at the Academy in Kunming, among other questions, we discussed our concerns regarding the *Yulong* Construction Company's involvement in Liming and Liguang, and the plans for the bakery. The Canadian team's view was that there should be no participation by the Cooperatives Association Headquarters because the Lisu villagers would not be involved; for there to be a true cooperative, villagers would need to form it and be the members. Senior Chinese team members thought that it would be all right for the *Yulong* Construction Company to support a cooperative once it was formed. Perhaps the construction company could start the buildings while a cooperative was being formed? We feared that the construction company might be interested only in profit; a senior Chinese team member felt that we should encourage the construction company to go ahead with the project. Liming was poor and the project should support it, but we did not have the money. We did not reach agreement on this issue. As far as the bakery was concerned, we did all agree: there was no need for it to be a cooperative. Wang Ce could start the bakery on his own.<sup>106</sup>

In my view, these examples illustrate a major achievement of the project. To have been able to attain this level of frank discussion and mutual consultation was not at

<sup>105</sup> Field notes, 1995, 57.

<sup>106</sup> Field notes, 1995, 69–70.



all easy. To me, it seemed unique and highly laudable. This project goal of true research collaboration was, I think, largely realized.

In the next section, I will consider, as I did with the 1940s *Gung Ho* cooperatives, the vitally important issue of cooperative management, both externally by the Cooperatives Association Headquarters, and internally, among members of the small cooperatives. In Goullart's day, as we saw, he was known as 'Depot Master' of the Likiang Depot, but he was also referred to as 'cooperative organizer'. I want now to consider the Cooperatives Association Headquarters – Mu Jiao and his staff – in this role.

## **The Cooperatives Association Headquarters as 'Cooperative Organizer'**

### ***Supervision of the Cooperatives***

In May 1995, we asked the Headquarters staff about their supervisory work with the small cooperatives. Did the Cooperatives Association Headquarters require annual reports? The staff replied that they did not require annual reports from the small cooperatives, but they did inspect them and investigated frequently, especially if there were problems. Sometimes, all three of them went to visit the established cooperatives, but they were pretty busy in the Cooperatives Association Headquarters office, so sometimes they went separately. Sometimes, they could tell just by looking at the materials sent in by the cooperatives that all was going well.<sup>107</sup>

However, the Cooperatives Association Headquarters itself had an annual reporting requirement. The Headquarters office had to submit a written annual report to the county party secretary and the county government. Xie Yi, the county party secretary, was the main person to whom Mu Jiao reported. But the written report was given to the Standing Committee of the People's Congress at the Lijiang County level and to the Policy Study Committee of the county government as well as to the Party Committee and

<sup>107</sup> Field notes, 1995, 38.

the county government leaders.<sup>108</sup> We asked if there had ever been a meeting of members of the small cooperatives held at the offices of the Cooperatives Association Headquarters? The answer was that, “Members of the Boards of Directors sometimes come, but not ordinary members. There is no plan to hold such a meeting. Not this year.”<sup>109</sup>

From this point, I can only offer my impressions as to how Mu Jiao and his staff carried out their role as ‘cooperative organizers’ – both as initiators and as supervisors of the cooperatives; there is not a great deal of evidence to rely on. I have mentioned the role of Chinese team members in this work, especially as initiators of cooperatives. Their assistance in that earlier period was critical, and I believe they were, perhaps, better suited to performing this function than was Mu Jiao. However, their participation – as was true of all Canadian and Chinese team members – was voluntary and unpaid, dependent on time that they could absent themselves from their regular duties. Hence, the real responsibility for initiation and supervision of the cooperatives rested with Mu Jiao. His assistants helped, but they followed his orders.

Mu Jiao, in my view, was a complex figure. I spent a lot of time with him; he enjoyed late nights, and when I stayed in Building One of the Research Centre, he often came to perch on the end of my bed (there was no place else to sit), smoking and chewing over whatever happened to be on his mind at that moment. Sometimes the Chinese team member who had family locally accompanied him, sometimes he came alone. I don’t think it ever occurred to him that I might not be available for a chat if he wanted one, and I liked that about him. He was a most engaging man in those early days. One of his delightful qualities was the pride he took in being Naxi. He loved to talk about his daughter, and his hopes for her that she could become well educated as a Naxi – as he was not – through attending the excellent Lijiang National Minorities Middle School at the prefecture level.

<sup>108</sup> Field notes, 1995, 38.

<sup>109</sup> Field notes, 1995, 42.

I think that, in the beginning, he was greatly interested in the possibility of starting cooperatives. He absorbed the information we provided to the group when they visited B.C. and, in those first meetings with us after his return, he talked about cooperatives convincingly, and, I believe, sincerely.

I came to feel, however, that his interests were fleeting. We had noted when we first met him in Baisha that he was full of what appeared at the time to be good and useful ideas. As I observed him over the years, I felt that he lacked the ability to think his ideas through, to analyze, to plan, and to persist when he met difficulties. Both of his assistants were better in these areas than he was, and had he run the Cooperatives Association Headquarters in a manner that allowed them a more equal role, possibly the three of them together might have been able to solve problems.

A more serious difficulty was that I believe he had a long-standing desire to achieve a large and public success. Since he was astute, he soon realized that, though we were foreigners – the first group of foreigners that had come to Lijiang – we did not have sizable amounts of money to make available. (Hence his conviction that involving the *Yulong* Construction Company in his plans was essential.) And small cooperatives, even if successful, were not likely to enhance his reputation. More than that, ventures on a large scale simply appealed to him. He was a man of grand schemes and big ideas; the detail was of absolutely no interest to him. In this, of course, he was also acting in concert with the spirit of the times. New entrepreneurial trends were making themselves felt, even in more remote reaches of Yunnan, as earlier economic ambiguity clarified and moved the country towards a different future.

Nor, I think, was Mu Jiao truly sympathetic with the goal of poverty alleviation, which was close to the hearts of Canadian and Chinese team members. He could talk well on this issue, but his penchant for viewing the large picture made him aware that the leadership at every level was pressing for economic development, not for solving problems of poverty as such. Thus, as mentioned, he correctly foresaw the loss of *Dayan*, Lijiang's Old Town, to industrial tourism and realized that, while ecotourism could be a possibility for remote areas, we had a very short time in which to prove that. Arguing on the positive side, I think that part of his preference for large schemes was his conviction

that cooperatives had to be seen as a mechanism for producing economic development on a large enough scale to interest leadership at all levels for cooperatives to be able to persist. The bakery was Mu Jiao's flagship effort on this front; in my view, though it certainly faced difficulties, it need not have failed, had Mu Jiao not given up so easily. Of course, for it to prove anything about cooperatives, Mu Jiao would have had to organize it as a cooperative, which he did not.

Most of all, though, he was a former township head, and in his new role as cooperative organizer, he continued to act like a government official. I doubt that Mu Jiao met many ordinary members of the small cooperatives. His view of how to organize and supervise a cooperative was to contact the appropriate leaders. Thus, at Yufeng, his contact was Zhao Zhijun, who organized the cooperative; at Baihua, it was Niu Ai, the village head; at Hongwencun, the contact was through a Chinese team member whose village this was; at the Plum Processing Cooperative, it was He Hong, the factory director.

In considering why these particular cooperatives were formed, it is interesting to me that Baihua and Yulong (site of the Yufeng Cooperative) were in Baisha Township, where Mu Jiao was formerly a leading official, while Hongwencun and the Plum Processing Cooperative were both in Huangshan Township, where a Chinese team member resided. It is not surprising that Mu Jiao would reach out to contacts and friends to establish cooperatives. But I think it did mean that the criteria according to which he formed cooperatives were questionable. Hongwencun is the one cooperative whose establishment might seem to have rested on firmer ground – the village's real need, the villagers' involvement, and the strong cooperative traditions evidenced by its *hexinzu*. Yet, without its connection to the Chinese team member, I doubt that it would have been founded. The Plum Processing Cooperative is an anomaly. I believe that Mu Jiao invited He Hong to the first Cooperative Management Training Workshop thinking that converting this village enterprise into a cooperative might be possible, and that He Hong became enthusiastic about the idea. But if Mu Jiao had had a clear analysis as to why he was forming cooperatives, he would not have seen any good reason to do this. Wenhai and Yuhu were good choices – as poor villages, they genuinely needed assistance – but because of the U.C. Davis connection, Mu Jiao was not involved with them and did not count them among his cooperatives.

Liming and Liguang provided a clear example of Mu Jiao's work style. On a visit I made to Liming in November 1996, I noted clear hostility on the part of the township party secretary because of the cancellation of plans for a Liming-Liguang cooperative, which, he had been told, was our fault. Party Secretary Zhang told me that he had made "at least twenty trips" to Lijiang to discuss this matter with the Cooperatives Association Headquarters. How could we so have wasted his time?<sup>110</sup> In other words, Mu Jiao's visits to Liming and Liguang must have been very infrequent. I doubt that he ever met with the Lisu villagers; if there had been a 'cooperative' established in Liming and Liguang, the Lisu villagers would probably not have been involved. If, by chance, they had had some involvement, Mu Jiao would have seen that as up to the township leaders – not to him – to organize.

In their supervisory role, Mu Jiao's staff did an excellent job of keeping accounts, and the revolving loan fund they administered was used as loans to the small cooperatives. The loans were carefully repaid, and no money was lost. Whether the loan money was allocated in the best possible way is another question. As one small example, the Cooperatives Association Headquarters made a loan of 20,000 rmb to Yufeng to build an ornamental mountain gate, but did not loan Hongwencun 2,000 rmb to buy two noodle-making machines that would have allowed the cooperative to extend its operation in a new direction.<sup>111</sup> I believe that after Mu Jiao's initial enthusiasm waned, he was no longer interested in keeping up the close contact with the cooperatives that his supervisory role required. And, on his orders, his staff also turned their attention away from the already established cooperatives. In May 1995, Mu Jiao's staff listed their prospective new cooperatives as: the *Nanjiao* Comprehensive Consumer Service Cooperative; the *Renhe* Women and Children's Healthcare Cooperative; the *Baoshan* Stone City Travel Service Cooperative; the *Nanjiao* Car Wash and Gas Station Cooperative; the Taxi Service/Car Rental Shareholding Cooperative.<sup>112</sup> With the exception of the *Renhe* Women and Childrens' Healthcare Cooperative, all of these

<sup>110</sup> Field notes, 1995–1996, 12.

<sup>111</sup> Field notes, 1995, 39.

would have been ventures with the *Yulong* Construction Company. None of them was ever established.

I would now like to refer back to the 1940s *Gung Ho* Cooperatives and Peter Goullart to consider the very different ways in which the two men carried out their responsibilities as cooperative organizers. In making this comparison, it is, of course, necessary to remember that the environments in which they worked were vastly different. In the wartime conditions of the 1940s, the economic environment was not ambiguous. Small cooperatives that helped people survive were performing their role satisfactorily; although the *Gung Ho* leadership saw the necessity for organization on a larger scale, Goullart, as we have seen, knew he could not be successful attempting this in Lijiang and he did not try. In the 1990s, as I have argued, the economic environment was anything but clear; that Mu Jiao should feel pulls in several different directions, including pressure to ‘think big’ from an ambitious local leadership, was quite understandable.

As I have also attempted to show, Goullart relied on his business background to make assessments of Lijiang’s circumstances well before he proposed to the *Gung Ho* leadership that his depot be situated there. He ascertained that there were rich natural resources, established trade routes, and already existing, flourishing markets – a base on which it made sense to found cooperatives. Goullart also used these skills to evaluate small cooperatives before he approved them, to help them structure a business plan that would work, considering the potential market. It is, in my view, not the fault of the three men on the staff of the Cooperatives Association Headquarters that they utterly lacked these skills. As the country emerged from a planned economy, there were few people in 1990s Lijiang with any of the required knowledge and depth of experience.

Perhaps a more significant difference had to do with each man’s character and values. Goullart was very much a man of the people. He had no interest in any person’s status or position, and he had a genuine desire to assist those who were poor. He was quite willing to go to considerable lengths, and suffer personal discomfort, to accomplish that end. As we have seen, reaching some of his cooperatives required long and difficult

<sup>112</sup> Field notes, 1995, 40.

travel on foot, journeys in which Goullart delighted, both for the beauty of the terrain and for the adventure. Methods of transportation had improved by Mu Jiao's time, but the Cooperatives Association Headquarters lacked a vehicle and had very limited funds for hiring one. To get to the small cooperatives, Mu Jiao and his staff had to bicycle or take buses, and walk. Mu Jiao's assistants did more of this than he did; unlike Goullart, he felt it beneath his dignity.

### ***The Cooperatives' Internal Management***

I want to turn now to the question of the small cooperatives' internal management. In my view, its predominant feature was that, although the small cooperatives had the required structures – a Board of Directors and a Supervisory Committee – there was scant evidence to show participation in decision-making by the membership. There were exceptions, glimmerings of hope that in other circumstances might have been nourished. Among those, I include the two months' work stoppage at Hongwencun while members pondered what to do, the constant consultation among the seven leaders at Wenhai (but they were leaders, not members) and the near-revolt by the bakery workers because they did not get their promised election. I think, also, that there might have been some member participation at the Plum Processing Cooperative – He Hong might have encouraged it – but I do not know whether or not that was the case.

What is very clear to me is that, as with Goullart's cooperatives, the 1990s cooperatives were formed from the top down, rather than from the bottom up; naturally, that factor influenced the way they were likely to function in terms of internal management. However, with Goullart's cooperatives, there was a far greater possibility that individual cooperatives could initiate member participation if the members so desired. For one thing, *Gung Ho* and Peter Goullart were in favour; Mu Jiao might have circulated cooperative principles, but the idea of encouraging membership participation in decision-making was one that he actively opposed. Also, in Goullart's day, some cooperatives did form spontaneously, members approaching Goullart to become official cooperatives only after they had come together on their own. Thus, as I have argued, some degree of democratic management could have taken place within the 1940s cooperatives – it

depended on the cooperative, and, for various reasons, I think it was not widespread. And now to summarize.

## Summary

In my view, this was an excellent project. It was also so considered by IDRC, both at the time and currently, as I found when I approached the organization for access to materials.<sup>113</sup> Interestingly, both project teams submitted evaluative final reports, but there was, to my knowledge, no project evaluation conducted by IDRC. The closest approach to that was an assessment mission, which I think took place in 1994; that was the only IDRC document to which I was not given access.

However, I believe that the project suffered from serious structural defects for which no one was responsible, but which made it very difficult, if not impossible, for the project to fulfill all of its goals. These were:

- **The project was a research project, not a development project**

This meant that our funding was limited and only supported research by both teams; we were able to help the Cooperatives Association Headquarters financially only in minor ways and the small cooperatives not at all. We could not, for example, fund a project manager to be resident in Lijiang, to co-manage the Cooperatives Association Headquarters with Mu Jiao and assist him and his staff. This, in my view, was badly needed.

- **Unlike Gung Ho in the 1940s, we could not give loans to the small cooperatives**

Without a loan fund, I believe, what we were trying to do was impossible. People were too poor, and the amount of money they could raise through share capital was too little. The interest on bank loans was too high, and bank loans were not given without

<sup>113</sup> Randy Spence, IDRC officer in charge of the ‘Cooperative Development (Yunnan, China)’ project, correspondence with author, June 2011.



collateral. This question was raised frequently, by many different groups of people, including Chinese team members. I think they were quite right.

The Canadian team's belief was that we would be able to partner the cooperatives with Canadian organizations that would help to solve any financial problems. In my view, this was quite reasonable – the difficulty was that none of us had the time to do the intense liaison work and fund-raising that this solution would have required.

- **It was not legal to form a credit cooperative in which cooperative members could save money**

This might have been a means by which cooperative members could support cooperatives financially, as has been the case in other countries. However, as noted, it was not legal in China at the time.

- **The project was carried out in an economically ambivalent period**

I have argued this point extensively above. As one Chinese team member commented: “The cooperative idea is in contradiction with the spirit of the times, because ‘cooperative’ means that you are working in a public-spirited way, not just for yourself.”<sup>114</sup>

- **The Cooperatives Association Headquarters staff lacked business and marketing skills**

I have also already argued this point.

- **Government leaders had expectations we could not meet**

This fact, I believe, was very difficult for the senior members of the Chinese team, who were aware of it from the beginning. Local government leaders expected money; senior Chinese team members hoped we had the contacts to provide it, apart from the IDRC project. I think they were probably always uncomfortable with this, caught between our goals and those of government leaders.

<sup>114</sup> Field notes, 1995, 5.

- **The project was supposed to be ‘*minjian*’, non-governmental, but the County government paid Cooperatives Association Headquarters staff members and provided the buildings in which they worked**

In my view, Mu Jiao always saw himself as a government employee; he used the *minjian* label when he saw that it might be to his advantage, but that was all. Thus, we were trying to start cooperatives under government jurisdiction, a complete antithesis to the idea of a cooperative. In general, I believe that the government is a useful and essential participant in China’s economic development. But cooperatives imply a necessary distance from government that could not be achieved within the project’s structure.

All that aside, the project was a miracle in terms of what it was able to accomplish with a small amount of money and the enormous dedication and effort of the members of the Canadian and Chinese teams and many Lijiang and Canadian people. With the reservations noted in the foregoing discussion, I include Mu Jiao and the staff of the Cooperatives Association Headquarters. The problem there, in my view, was not so much with individuals as with the system. Despite its shortcomings, I believe that this project forged many new paths and left behind a legacy of ideas, of imagination and generosity, and of people whom it changed and educated. I gratefully count myself among them.

In the next chapter, I will deal with one further example of a cooperative, a contemporary one this time.

## Chapter 6.

### **The Yuhu Ecotourism Cooperative: 2009 – 2010**

In this chapter, I will examine a cooperative established in Yuhu village, Lijiang County, in May 2004. I selected this cooperative to study due to its continuity with the 1990s cooperatives, Yuhu village being one of the sites dealt with in the previous chapter. The cooperative is complex, and significant in the ways it resembles and differs from both the 1990s cooperatives and the 1940s *Gung Ho* cooperatives. I will argue that the Yuhu Ecotourism Cooperative embodies the very best that our 1990s cooperatives might have achieved had they been entirely successful; it is also in some respects a model of what I believe we may expect of a Chinese cooperative at present. As stated elsewhere, I thus suggest that different models of cooperatives have arisen in Lijiang in different periods, demonstrating various aspects of what is possible in the cooperative sphere, and linked across time by the physical space of Lijiang and the cooperative traditions and practices of the Naxi people.

I made two visits to Yuhu, one in 2009 with a member of our 1990s Chinese project team, and a longer one in 2010, when I lived in the village for two weeks. On that occasion, I was able to accompany a young non-Naxi Yunnan Academy of Social Sciences (YASS) researcher, previously unknown to me, who was conducting an investigation in the village and generously agreed to include me in his plans. His research interests and perspectives differed from mine, which limited, to some extent, what I was able to find out. For the most part, though, this was not a major problem.

It is an interesting fact about Yuhu, that I believe has influenced its development considerably, that an Academy scholar of a later generation than our team members took an interest in the village. Aware of its experience with cooperatives in the 1990s, he was

perturbed by how poor the village had remained. Thanks partly to his efforts, Yuhu was one of the sites of a long-term Ford Foundation-supported project by the Academy's Rural Development Research Institute. This project paid local 'reporters' in four villages to collect information on every possible aspect of daily village life. In due course, I will consider the effects of Academy involvement with the village.

## **The Founding of the Cooperative**

I will begin with the history of the cooperative's founding as told by several different members. Some began by telling us about the poverty that prompted a search for a solution.

The vice party secretary, Ni Lang, a woman in her early forties and a member of the cooperative management group, told us in 2009 that when she was growing up, the village was very poor. Very few girls went to school. When she was in Grade 1, there were about ten girls, out of about twenty girls in the village. By Grade 3, the girls started to drop out, and by Grade 5, there were only two or three. Finally, she was the only one. In Baisha, where she went to middle school, she suffered from people looking down on her because she was poor, because she came from Yuhu, and because she was a girl. By senior middle school, she was the only Yuhu girl left; the rest of the Yuhu students were all male.

She spent three years in Kunming working as a cleaner because she had a relative there. She studied accounting for a couple of months, but the person she was learning from died. She learned a little English in school. By 1996, Ni Lang had returned to Yuhu.<sup>1</sup>

Rao Qun, who is forty-three and a former village party secretary, is a central figure in this history. He described leaving Yuhu sometime after 1988, when he graduated from middle school. He said that he did not want to leave, but he didn't see any way that the village could change. If he stayed, he would simply be trapped in

poverty like everyone else; he was overwhelmed by a sense of hopelessness. He spent several years outside the village, during which he did many different things – he was an agricultural technician; he learned carpentry; for a couple of years, he ran a restaurant. In 2002, he returned to Yuhu. After a term as party secretary, though he would have preferred to run again in the 2007 election and remain in his position, he was recruited to the township level government.<sup>2</sup>

Everyone seemed to agree that it was the Lijiang earthquake of February 3, 1996 that marked the real beginning of tourism in Lijiang County. I visited at that time and I can attest to the fact that the earthquake resulted in a remarkable outpouring of assistance from various levels of the Chinese government and, in the form of relief funds, from all over the world; this spurred an interest in Lijiang that, in my view, would otherwise have occurred considerably later. It also, unfortunately, put huge amounts of money in local government coffers, allowing unrestricted growth to take place far too rapidly.

Yuhu, however, would not have benefited from these developments except on its own initiative. It was too far from the main road; tourists would not find it without help. My Academy colleague reported that the earliest instance of horse leading he knew of – horse leading was to be the activity of the future cooperative – was in 1992 or 1993 in Ninglang, an Yi autonomous county east of and adjoining Lijiang County. At first, tourists had their photographs taken on horseback. Then, because foreigners were accustomed to riding in their own countries, they asked to be able to ride the horses. He thought Yuhu villagers might have seen people using horses this way somewhere.<sup>3</sup> A villager, Mu Weichang, described subsequent developments this way:

Around the time of the earthquake, a few people began taking their horses and waiting by the side of the main road to recruit guests (*han keren*, literally ‘call out to visitors’). After the earthquake, people began bringing guests to the village and leading them up behind it. The earliest activity was ten families going to get guests, of which my family was one. If we recruited many tourists, we would get other villagers to help us by

<sup>1</sup> Author’s Field notes, 2009, (these notes cover April 20, 2009 visit to Yuhu), 1.

<sup>2</sup> Author’s Field notes, 2010 (these notes cover April 8-21, 2010 stay in Yuhu), 21.

<sup>3</sup> Field notes, 2010, 18.

bringing their horses and leading guests. We gave these people twenty or thirty rmb for doing this, which was quite a bit at the time. But we ourselves might be making fifty rmb at this point because we had done the recruiting.<sup>4</sup>

Ni Lang, the vice party secretary, felt that the Rock Museum also played a role in bringing tourists into Yuhu. Before tourism was very advanced in Lijiang and other places, Yuhu was already involved in tourism. She said that backpackers, mostly foreigners, came to see Rock's house. Villagers took guests to the house, and the tourists would give them a little money.

When they saw this, the villagers realized that people wanted to come to the village and they started going out to recruit guests. They would go to Lijiang, and go to the hotels, and introduce Yuhu to the hotel staff so that the staff could talk to the foreigners.

The recruiters – those people could really talk. The people who led the horses felt that the people who did the recruiting were a great help to the village. This was at a time when most villagers didn't talk to the Han, so they felt that the recruiters were very capable. They also felt it was hard work. The recruiters would have to sleep in a hotel in the city the night before,<sup>5</sup> then go early in the morning to recruit, then bring the guests to Yuhu.<sup>5</sup>

But as tourism developed, the horse leaders began to feel that the recruiters were keeping too much money. A recruiter might be receiving eighty rmb and giving the horse leader twenty or thirty rmb. Whereas at the beginning the horse leaders felt that the recruiters making more money was justified, as time went on there began to be “contradictions.” The horse leaders also resented the fact that the recruiters would give the business to one person and not to another, choosing from among their friends and relatives. By now, fifty to sixty families were involved in recruiting, and as their numbers increased, they would compete for business by lowering their prices. Eventually, there was ill feeling among recruiters, among leaders of horses, and between the two groups.<sup>6</sup>

<sup>4</sup> Field notes, 2010, 1.

<sup>5</sup> Field notes, 2010, 3–4.

<sup>6</sup> Field notes, 2010, 4.

Ni Qing was sixty-seven when I met her in 2010. In 1999, she became party secretary. She said that at that time the road into the village was not good; as an unpaved road, it was hard to find; and there weren't many tourists. So the town government helped them pave the road, which made it possible for more visitors to reach the village. The recruiters would bring the guests and have their relatives and friends lead the horses. Her feeling then was that the recruiters' families were getting rich quickly and easily, but everyone else was being left behind.

Her view was that tourism should develop, but that the village did not have the resources to do it. She thought they should find someone to whom they could contract out the horse leading business. At that time, there were people who wanted to take on the contract, but they did not know whether they could rely on those people. So they asked the government for help. But at the time, the government also did not know what to do because tourism development was at a very early stage. She said the government just told them to be careful, but did not make any decision. She then left office in the election of 2004. She said that at the time when they thought of contracting out to a boss (*laoban*), they felt that all villagers should be included in any village horse leading venture so that each family would receive some income.<sup>7</sup>

Vice Party Secretary Ni Lang described this period before the 2004 election as a time when the disharmony in the village had reached a point where there were fallings out between and within families and “brothers weren't speaking to each other.”

At this time when there were problems, only the village committee (*cunweihui*) could solve them. Horse leaders and other villagers went to the village committee and asked them to report upwards requesting a management system that would make sense of these issues. So the report to the government had to do, for example, with not competing and driving the prices down. At that time, there was a meeting, several meetings, of the village committee talking about how to manage tourism in Yuhu.<sup>8</sup>

Ni Lang said that at the meetings they raised two concerns. Without money, how could they manage tourism? And how could they deal with the recruiters and not arouse

<sup>7</sup> Field notes, 2010, 7.

their opposition? Although they held many meetings, there was no agreement as to how to manage the situation. Then in the election of 2004, Rao Qun became party secretary.

After the election, the village committee met and talked about what was the central issue in the village that needed to be decided. Everyone agreed that the big question was how to manage tourism. After discussion, they agreed that the village committee was the organization that would take on this role. Most important, they decided, was the principle that all villagers would be involved in the tourism initiative they planned. They had reached a consensus that the direction was right, they would develop tourism, everyone would participate, and they should go ahead and do it. Rao Qun asked them to understand that there would inevitably be questions and problems, but that they could decide on and solve those problems as they came up. Before, they had been stymied by fear of issues that might arise. Now, they had made the decision to go ahead.

They then called a villagers' representative assembly (*cunmin daibiao huiyi*) – where there was a representative for each ten to fifteen households, approximately thirty representatives for 300 households. At this meeting, as with the meeting of the village committee, everyone was regarded as being equal in status. Then they contacted all the households in the village using the nine small groups (*cunmin xiaozu*) into which the village households are divided. These groups are based on the old production teams (*shengchandu*) of the period prior to the elimination of people's communes in 1979. The term *cunmin xiaozu*, villagers' small groups, originated in 1999 with the first village elections. Originally they consisted of people living adjacent to each other, but this changed somewhat as children married and set up new households. Using this method, the village committee consulted the opinions of everyone over eighteen, about 1,000 villagers.

While most people agreed, a few did not, for example, the recruiters. However, since they had the agreement of the majority, the village committee decided to go ahead, and they decided to use a cooperative as the form of organization. At this time, Party

<sup>8</sup> Field notes, 2010, 4.



Secretary Rao Qun was the leader, with everyone's agreement; most of the basic arrangements were his ideas, with some participation by other members. After they had thought about how the organization could operate, they used the villagers' small groups again to gather opinions and these ideas were discussed with everyone. In the discussion, the villagers wondered if the village committee could organize and manage such an activity. Some villagers lacked confidence that the proposed management system could work. Some recruiters and some big families were opposed. In that period, they held meeting after meeting, sometimes lasting until 2:00 a.m. or 3:00 a.m. Finally on May 23, 2004, they established the cooperative.<sup>9</sup> Vice Party Secretary Ni Lang described what happened next.

The big families that were opposed then attempted to block off the road and not let tourists in. Some wanted to bring their own guests in. The village committee, twenty people, went down to prevent the recruiters who weren't participating from bringing guests in. They told the guests that from that day on, tourism in Yuhu was collectively managed and individuals were not allowed to bring in guests. The guests, hearing this, left.<sup>10</sup>

After this initial conflict, the tourism cooperative began to develop. Ni Lang was a senior middle school graduate; in that early period, she sold tickets to the guests. She did this for three years. Because of her relatively advanced level of education, she was trusted to keep accurate accounts.

We talked to Rao Qun about how the cooperative started since, as party secretary at the time, he had been the moving force behind it. It was clear from what he said that in his mind the collective aspect of the cooperative was very important. He was determined to bring everyone along. He talked about the meetings, but it seemed, from his telling, that once the tourism idea became something he thought could be done and could be a way out for the village, it proceeded on a great tide of enthusiasm. He asked people to trust him, and they did. He asked how much the cooperative workers wanted as wages; they said 350 rmb per month. He said they would get it if it had to come out of his own

<sup>9</sup> Field notes, 2010, 4–5.

pocket. He made a shack for himself out of plastic to serve as an office and went home to get a chair to sit on. He said that the chair is still in the cooperative's office.

He talked about a cooperative as being the right form for the new organization to take because it was *minjiande*, a people's organization rather than a government one. They were poor; they didn't have resources. If they were going to do anything, they had to do it together. He also emphasized the importance of basing their cooperative on Naxi traditions. To my mind, one of the most significant contributions Rao Qun made to Yuhu was not only teaching villagers to protect their natural environment because it was a central aspect of the village's attraction for tourists, but also to regard their culture, including their houses, in the same light. Rao Qun insisted that villagers could change the inside of their houses as they wished, but the outside must remain a traditional Naxi stone and wood courtyard house. The same applied to any new houses that were built. Village streets were cobblestone; they were not paved. As the village's economy improved, he also discouraged any thoughts of establishing restaurants or guesthouses in the village itself, though he was not opposed to bed-and-breakfast accommodation in village homes.<sup>11</sup> Unusually, he understood that the sustainability of the village's appeal to tourists lay in its retaining its charm as a remote Naxi mountain village.

## **How the Cooperative Worked**

As we saw in the interview with former Party Secretary Ni Qing, it was the villagers' idea that everyone should be included in a collective organization and benefit from village tourism. The idea was articulated in Ni Qing's time and it was reported then to the township government. It appears to have been the township government's idea (though Rao Qun also claimed it as his) that the organizational form should be a cooperative. The township government thought a cooperative would be suitable because it was non-governmental. It was also convenient that, as a cooperative, it did not have to

<sup>10</sup> Field notes, 2010, 5.

<sup>11</sup> Field notes, 2010, 21.

*zhuce* (register officially) because of its nongovernmental status. As well, because the village committee was to manage the organization, everyone must be included so that everyone would prosper together. Furthermore, the village had a tradition of using the forest as a collective resource; tourism would be based on the natural beauty of the area, also a collective resource. Party Secretary Rao Qun wrote a document, which the township government ‘corrected’. Written into the document are these two sentences:

*Ren ren canyu; hu hu shouyi.*  
*Ziyuan gong you; ziyuan gong xiang.*

Everyone participates; every household shares the proceeds.  
Natural resources belong to everyone and should benefit everyone.

The household was the basic unit of the cooperative, but neither households nor individuals bought shares (*ru gu*). The cooperative did, however, pay dividends (*fenhong*) in two parts: one part equally to all households; one part based on the number of family members in a household. It also counted the natural resources of the area as a collective village contribution.<sup>12</sup>

The basis of the cooperative was the horse number system, according to which households had equal opportunities, in turn, to provide a horse and a horse leader. The Mosuo at Lugu Lake had used this system earlier, both for horse leading and for boating; however, the Mosuo may not have been the first to develop the system as it was also used elsewhere.<sup>13</sup> Every household had to have one horse to enter the cooperative; some people had two or three. But no matter how many horses you had, you only got one number. If there were a family with members working outside the village so that no one was free to lead a horse, they kept the number but did not use it. Older people who could not lead horses any more found young people to help. Families were able to earn an annual income of 6,000 to 7,000 rmb from leading horses, sometimes earning as much as 10,000 rmb if the number of tourists was high. At the very least, each family got one ride per week. Any family who did not have a horse bought one; poorer families got a loan

<sup>12</sup> Field notes, 2010, 20, 13.

<sup>13</sup> Field notes, 2010, 18.

from relatives or elsewhere. Villagers were able to repay these loans by the end of the first year with their earnings.<sup>14</sup>

The cooperative offered guests a choice of three different routes at different prices. There was also a price for someone wanting to stay out a whole day. In that case, the guest was required to be back by dark. If a tourist chose the lowest price ride and then wanted to stay out longer, he or she could do that by paying extra.

The pricing system was complex since it included the need to pay outsiders for related services. As we noted in 2009, an inordinate amount seemed to go to “overhead costs” – recruiting the tourists from Lijiang. This amount was paid to the tour operators and taxi drivers or local recruiters who brought customers to the cooperative. Ni Lang did not see any other possibility, however; she said, simply, that if you did not pay the recruiters this much money, they would not find you guests. Other than the few families who were still recruiters, she did not think that the cooperative, the villagers, could do the recruiting themselves. Most families had neither the skills nor the desire to do it.<sup>15</sup>

The information that follows was given to us in 2010 by the vice-head of the cooperative, Ni Fu; he had been a cooperative official since the beginning and was also an accountant. He explained that there was an ‘official price’ and a ‘low price’ for each route. Everything over the low price was a commission (*huikou*) paid to the guide or the ‘recruiter’, whoever brought in the guest. What this meant was never spelled out completely clearly, but I assume that the recruiter negotiated a price with his guest or guests, paid the cooperative the agreed-on ‘low price’, and kept whatever he was able to collect over that. This system would make sense particularly in later years when nearby Yulong village (site of another of our 1990s cooperatives) developed a small, private horse leading business into a much larger competing operation, giving guests an alternative.

Route 1 (or Route ‘A’) is the shortest, least expensive and most popular of the routes. Its official price was 180 rmb. At first, the low price was seventy rmb. Of that,

<sup>14</sup> Field notes, 2009, 2; Field notes, 2010, 2, 7.

the cooperative paid the horse leader sixty rmb. The ten rmb remaining to the cooperative went into the collective fund that paid for road repair, education, office expenses, and so on.

Later, in 2005, as part of the ticket price, the cooperative decided to let guests go to the *Yu Zhu Qing Tian Jing Qu* ('The Jade Pillar that Holds Up the Sky' Scenic Area); near Yuhu, the area was famous in Yuan, Ming, and Qing dynasties as the Summer Resort of 'Tusi', national minority hereditary leaders. Then they took 6.60 rmb from the cooperative's ten rmb to pay the *Yu Zhu Qing Tian Jing Qu* for admission. That left the cooperative with 3.40 rmb. When the low price increased from seventy rmb to seventy-five rmb, the cooperative got 8.40 rmb.

For Route 3 (or Route 'C'), the official price was 350 rmb; the low price 130 rmb. The horse leader got 100 rmb; 6.60 rmb went to the *Yu Zhu Qing Tian Jing Qu* and the cooperative got 23.40 rmb.

For Route 2 (or Route 'B'), the official price was first 260 rmb, then 280 rmb, then 300 rmb. When it was 300 rmb, the low price was 110 rmb. The horse leader got eighty rmb; the *Yu Zhu Qing Tian Jing Qu* got 6.60 rmb, and the cooperative got 23.40 rmb.<sup>16</sup>

Including two people who did the introductions for the guests, the management group included twenty-one people altogether. Two people sold tickets, two looked after the horse riding; there was a general manager, and a chairman of the board of directors. There were also security people, and six people who were fire wardens, receiving wages partly from the Lijiang municipal government, partly from the cooperative. They looked after the forest and prevented fires.

The Cooperative's Management Committee had to approve any changes made to the functioning of the cooperative. Together with the village committee, there were nineteen people involved, eighteen men and one woman; Vice Party Secretary Ni Lang

<sup>15</sup> Field notes, 2009, 2.

<sup>16</sup> Field notes, 2010, 13.

was the one woman. They were all people who came from Yuhu and grew up there.<sup>17</sup> I will return later to the question of the relationship between the Cooperative's Management Committee and the village committee.

Ni Lang commented, and others agreed, that the crucial management decision the cooperative made was from the outset to pay the horse leaders on completion of each day's work. That way, the villagers saw the benefit immediately and the cooperative earned their trust. The cooperative also divided the profits among members (*fenhong*) every year – when it had the money. The amount was usually around 600 rmb per family.<sup>18</sup>

A young cooperative management group member, Mu Jing, told us that, at the beginning, they were very inexperienced. They had no money, and as Rao Qun had told us, the money for the plastic to form a rudimentary shelter came from Rao Qun's own pocket; they borrowed tables from the primary school. He related an incident that illustrated their initial ignorance.

At the beginning, we didn't know that we should buy insurance. Then in the second month, a guest fell off a horse and was injured. We had to pay the guest 38,000 rmb: 8,000 rmb from the person who led the horse and 30,000 rmb from the cooperative. So that way we learned that we had to buy insurance. At first, we asked the guests to buy it, but soon it became a cooperative expense. With our coverage, we could then pay out a total of 200,000 rmb in a year to compensate guests for any injuries.<sup>19</sup>

### ***The Role of the Elders' Association***

We met with two of the four leaders of the Yuhu Elders' Association (*Yuhu Laonianren Xiehui*). They said that their association strongly supported the formation of the cooperative. They did this in very concrete ways. There were people spreading the idea that the cooperative was a mistake and could not be successful. The old people, on the contrary, helped people to understand that it was a good idea and would succeed. In

<sup>17</sup> Field notes, 2010, 8.

<sup>18</sup> Field notes, 2009, 1–2; Field notes, 2010, 8.

<sup>19</sup> Field notes, 2010, 8.

the village, they also worked to let people know that there should be no more individual leading of horses; that all was to be done through the cooperative. Outside the village, as well as in the village, they convinced people not to cut trees or dig sand. (Sand had become very expensive and villagers were causing great environmental damage by digging and selling it.) Since the old people were usually at home and had the time, if tourists came to their homes, they explained the special customs of the Naxi and talked to them about Naxi culture.<sup>20</sup>

## How Agriculture Fits into the Picture

Yuhu village is still involved in agriculture to some extent, though much less than was the case in the past. Many people now rented out their land. Mu Weichang, a member of a recruiting family, described the source of her family's income:

There are four people in our family. We have ten *mou* of land, which is rented to a company. The company grows a variety of peach that has become famous; it rents land in various places. Our family receives 350 rmb per *mou* per month for this land, or 3,500 rmb per year. Before, when we grew grain on our land, we earned about the same amount. On the one hand, it was a lot of work, and the grain yield wasn't high (300 jin per *mou*). But if the grain price was not good, we still had grain to feed our livestock, and also, we had work. Now, we don't have anything to do, and we have no grain to feed the animals. Some of the older people prefer not to rent their land because they want something to do and they are too old to hire themselves out as labourers (*da gong*).

Another source of income for our family is 500 rmb per year that we receive as a government subsidy (*butie*) for a small piece of land we own – a little more than one *mou*. This land has water on it; in return for access to the water, the government pays us for the use of the land. (The subsidy is 300 rmb per *mou*.) I also earn income from recruiting guests. We have 0.5 *mou* of land on which to grow crops.<sup>21</sup>

A group of four members of the village committee manages agriculture for the village. The village has more than 20,000 *mou* of uncultivated land in the mountains.

<sup>20</sup> Field notes, 2010, 12.

<sup>21</sup> Field notes, 2010, 2.

One project involves 4,300 *mou* of land on which villagers are planting walnut trees, and a smaller project involves 3,800 *mou* of land and two other kinds of trees. The government charges 1.00 rmb per seedling for the walnut trees; for planting the trees, villagers receive 3.50 rmb per tree. On each *mou*, they can plant twelve trees. There are further payments later for watering and fertilizing the trees. Rao Qun told us that the township had paid for water for the trees in this drought but that half of the seedlings had died. He says that they will plant more trees to make up for this.<sup>22</sup>

## Benefits of the Cooperative

The overall benefit of the cooperative was very clear. During the four years when every village household earned 6,000 to 7,000 rmb per year plus an annual dividend of approximately 600 rmb, Yuhu was transformed from a poor village to a prosperous one. And this wealth was evenly distributed. Whereas before the founding of the cooperative, families with no horses and those lacking kinship or friendship ties with recruiters remained poor, afterwards, everyone participated and everyone benefited.

Villagers also pointed out that, due to the cooperative's efforts, the village's appearance was greatly enhanced. To meet the needs of the cooperative, the village's dirt roads were upgraded to cobblestone roads. Also, garbage was all picked up; the cooperative organized people to do it. One informant told us that as the whole village began to develop, petty jealousies among villagers disappeared. Previously, people who did not get rich had been jealous of those who did. Theft also stopped. Before, there had been thieving of grain, meat, and so on. Afterwards, this ceased.<sup>23</sup>

Mu Jing, who had been, as we knew, a member of the cooperative's management group from the beginning, told us that road repair began during the cooperative's second year, and was done slowly, as they could afford it. At that time, some people had roofs that were held on by stones. Through leading horses, they were able to replace the old

<sup>22</sup> Field notes, 2009, 2; Field notes, 2010, 3.

<sup>23</sup> Field notes, 2010, 2–3.



roofs with tile roofs so that soon you did not see stones any longer. In 2006, the cooperative brought in running water from a different place. They had had running water in the village before, but this was an improvement.

Another benefit attributable to the cooperative and much valued by the community had to do with their children's education. Some children previously could not go to school, or they could not get all the way through school. After the cooperative was established, with the additional income families could afford to keep their children in school. Equally significant was the cooperative's emphasis on the importance of education and the financial support it provided. If a student was able to enter university, the cooperative contributed 1,000 rmb towards expenses; to a student entering technical high school (*zhong zhuan*), they gave 600 rmb. They paid bonuses to teachers if the students in their classes got good grades. Previously, Yuhu students had lagged far behind in grade averages compared with students from other villages in the township. Now they were always in first or second place.

In the past, in the village, no one sold breakfast. This was another sign that the village was poor. But after the cooperative was established, first one family and then three families began to sell breakfast.<sup>24</sup>

## **Statistics on the Village and the Cooperative**

When we visited the cooperative in 2009, I was particularly impressed by the information available to cooperative members, that is, to all villagers, and even to guests, if they cared to read it. The village committee's meeting room; the rustic wooden building where the cooperative had its offices; and a long corridor of bulletin boards outside in the area where horse leaders and guests met, all contained information on the cooperative. In the village committee offices, this took the form of wall-size laminated photographs of the village on which information was superimposed. There were also pamphlets, and a video. Clearly, the cooperative understood the importance of effective

<sup>24</sup> Field notes, 2010, 8.

publicity. More significantly, it operated with transparency; information was freely accessible to all. In 2010, the information had not been updated. Thus, Sui Qiang and I collected some of the information below from bulletin boards, but Sui Qiang was only able to obtain the most recent information through visits to village officials at their homes.

In 2008, there were 350 households and 1,340 people in Yuhu; in 2010, there were 370 households and a population of 1,412 people. Approximately 94 percent of villagers belonged to the Naxi national minority. These figures (Table 1) show the per capita net income in the village from 2003 – 2008; they do not, however, show what proportion of the income came from the cooperative.

**Table 1. Village Net Income Per Capita: 2003-2008**

<b>Year</b>	<b>rmb/person</b>
2003	937
2004	1,499
2005	1,800
2006	2,200
2007	2,500
2008	3,000

The figures in Table 2 show the annual collective income of the village for the respective years.

**Table 2. Village Annual Collective Income: 2004-2008**

<b>Year</b>	<b>rmb</b>
2004	360,000
2005	800,000
2006	1,020,000
2007	840,000
2008	800,000

We also copied down a chart showing that in 2006, the cooperative deducted 2.00 rmb per ride from the horse leader’s pay of sixty rmb for insurance. From its profits, the cooperative set aside ten percent for the collective dividend (*fenhong*) at the end of the year; five percent for road repairs and other maintenance; and five percent for education, poverty alleviation (*fupin*), and office expenses.<sup>25</sup>

Later, after leaving the village, I obtained further statistical information from a 2006 YASS *Handbook for the Promotion of Yunnan Tourist Cooperatives*. It verified the statistics we gathered in the village, and listed these additional figures showing the number of tourists received by the cooperative and its gross income from tourism (Table 3):

**Table 3. The Yuhu Ecotourism Cooperative: Number of Tourists Received and Gross Income from Tourism**

Year	Tourists	Gross Income (rmb)
2004	30,000	3,000,000
2005	38,000	5,000,000
2006	not available	5,180,000

The *Handbook* article also showed investments “with the support of the higher-level party committee and the government” of 530,000 rmb in building two-and-one-half kilometres of cobblestone roads in the village as well as “service infrastructure including parking lots, tourism management offices, and environmentally friendly toilets. Eight hundred and sixty thousand rmb was used to divert water into the village, improve the quality of drinking water for people and livestock, and construct twenty-four kilometres of tap water pipeline.”<sup>26</sup>

<sup>25</sup> Field notes, 2010, 16, 11.

<sup>26</sup> Luo Mingjun, “Equality, Keyword for Sustainable Development of Rural Tourism: Report on Rural Tourism in Yuhu Village,” in *Yunnan Xiangcun Luyou Hezuoshe Zhidao Shouci. A Handbook for the Promotion of Yunnan Tourist Cooperatives*. (Kunming: Yunnan Shehui Kexueyuan, 2006), 81, 80.

## Problems the Cooperative Encountered

Although it was one of the cooperative's perceived strengths that it not only paid horse leaders immediately, but also paid them almost all of its income, the concomitant problem was a lack of funds to cover operating expenses. Vice Party Secretary Ni Lang said she saw it as a difficulty that many village people were not well educated; they saw problems from a short-term but not a long-term perspective. The fact that the cooperative needed to have funds to support its office and do advertising and promotional work was not something they understood. The cooperative also had to repair the roads and construct a reception area for horses, horse leaders, and guests. If you took too much from cooperative funds for these purposes, the villagers wouldn't like it, but if you took too little and built something that didn't look nice, that wouldn't work either.

So leading group members wondered whether they should look for investors. They felt that there were people in the village who had money and might be willing to buy shares, thus turning their organization into a shareholding cooperative. The leading group's view was that if this were done, they must ensure that the poorest people in the village had at least two to three shares. They put this idea forward to the villagers through discussion in the nine groups, but the villagers did not agree. They were afraid that people with large numbers of shares would take over the cooperative. This happened while Party Secretary Rao Qun was still in office.<sup>27</sup> The plan went no further and the problem went unsolved. There were minor problems as well. For example, about twenty horse numbers were not being used. The leadership proposed that these numbers be sold; however, the villagers did not agree with this idea, and it was not put into effect. There was also the difficulty that people were still 'eating from the one big pot'.<sup>28</sup> That is, horse leading is a job that can be done well or badly. Yet the horse leader still received sixty

<sup>27</sup> Field notes, 2010, 5.

<sup>28</sup> 'Eating from the one big pot' was a tendency left over from the days of collectivized ownership when villagers worked in work teams earning an equal number of work points.

rmb, regardless of the quality of his or her work.<sup>29</sup> Several developments then occurred simultaneously, forcing the cooperative to a crucial decision point.

## **The Events of 2009**

By the beginning of 2008, the rival Yulong horse riding operation had grown until it included 100 families. And there were more and more other places in the Lijiang vicinity where guests could ride horses. There was also the problem of the global financial crisis of 2008, which caused tourism to decline all across China. As a result of these two factors, guest numbers at the cooperative began to fall in the second half of 2008.<sup>30</sup>

Then, in January of 2009, Party Secretary Rao Qun went to work in the township government. Vice Party Secretary Ni Lang explained what happened next:

Once he left, some people felt that the management of the cooperative fell apart. He was strong and could exert control. Nobody else had his strength. People started not coming to work, not being conscientious. Before, there were people stationed at various points to supervise the horse leaders' work. Then people started slacking off. They would ask others to cover for them so that there was no longer a person at each designated station. But they would still insist that they had worked. Or they would come late. The coop started getting adverse comments from the guests. People who were to collect garbage in the hills didn't – but said they did. Then the guest numbers began falling off. And the villagers began to be unhappy over people they knew weren't working but were still being paid. So the villagers began to say that if the village committee couldn't manage the cooperative properly, maybe they would be better off with a boss.<sup>31</sup>

Another view of why the cooperative was no longer able to manage came from the men in the Elders' Association. They said that from the time it started in 2004, the party committee and the village committee ran the cooperative, and all of the members of both groups were involved in its management. However, in the election of 2007, some of

<sup>29</sup> Field notes, 2009, 3.

<sup>30</sup> Field notes, 2010, 8.

<sup>31</sup> Field notes, 2010, 6.

them were not re-elected. Still, they continued to work in the cooperative though they were no longer in the leading group. But there were also newly elected people, and they, too, were given places in the cooperative management structure. That way, there were more people managing the cooperative, and more was being paid out in wages. Therefore, the proportion of the ticket price paid out in wages increased. Guests became fewer in late 2008, but expenses were higher. And so the cooperative fell apart.<sup>32</sup>

Another reason we were given was that the low price that was set for horse leading was too low, hence there was not enough money coming into the cooperative. Especially interesting to me were two people who suggested independently of each other that it is difficult for a village to manage a cooperative because of factors such as ‘face’ and feelings and personal connections (*guanxi*). The member of the Elders’ Association who held this view cited China’s most famous sociologist, Fei Xiaotong, who said that China is a ‘*shuren shehui*’ – a relationship-based society.

The other person who held this view was Ni Qun, the manager of the village committee from 2004 to 2007, elected party secretary in March 2010. He felt that since everyone in the village is a relative or a friend, it was very hard for the cooperative to institute a good management system. For a company it would be easy, because to them it is just a system – there are no feelings involved.<sup>33</sup>

## ‘Contracting Out’

Contracting out to a company was, of course, a return to the proposal that villagers had rejected when it was made in the time of Ni Qing, the party secretary who preceded Rao Qun. As had happened when the cooperative was formed, prior to the decision being taken, villagers were consulted through the nine groups. After a long and initially unsuccessful search for a company, the village ultimately signed a contract on September 27, 2009 with ‘the boss’ of the *Yu Zhu Qing Tian Jing Qu*. The cooperative

<sup>32</sup> Field notes, 2010, 12.

<sup>33</sup> Field notes, 2010, 12, 10.

did not have enough money to pay September's wages and other expenses because of the small number of guests, so the company paid these expenses.<sup>34</sup> Interestingly, though I have used 'the company' for the sake of clarity, and because these were the terms in which villagers and leaders spoke, the parties to the draft contract are the 'Yulong Ecotourism Cooperative' and the village; the company, the *Yu Zhu Qing Tian Jing Qu*, is never mentioned. Thus, officially, the cooperative continues to exist.

### ***The Contract and the New System***

The contract gives the company the power to recruit guests and make all decisions having to do with the operation of the horse leading business. The village, through the party and village committees, consulting with villagers, will continue to make all decisions having to do with the village, negotiating with the company as necessary. The contract states that the horse leading business must be run so that it "assists the work of the village government." The company pays the village 250,000 rmb per year, and keeps whatever profit it makes beyond that. It is required to provide insurance for the guests. It was also required to accept any of the former employees who wanted to continue to work, and wages had to be either the same as before or higher; they could not be lower.<sup>35</sup>

One of the five employees who chose to remain after the contract with the company was signed, Mu Ran, explained its terms more fully. This man was the group leader (*zuzhang*) of Group Five of the village's nine small groups (*cunmin xiaozu*), and a former member of the cooperative's leading group.

In addition to giving the cooperative 250,000 rmb annually, the company guaranteed to pay annually 5,000 rmb for maintenance of the cooperative buildings; 30,000 rmb for office expenses; 300 rmb for each horse that was being used, for insurance. In the first year, the company also had to pay a deposit of 250,000 rmb in case it should breach the contract. Also, if the number of guests in a year was fewer than

<sup>34</sup> Field notes, 2010, 6, 17.

<sup>35</sup> Field notes, 2010, 21.

30,000, the boss had to pay five rmb for each ‘missing’ guest. This money would be divided to the households. The boss is a woman named Zhang; her husband is Naxi.<sup>36</sup>

Another of the original employees, Mu Jing, provided further information. He told us that after the contract was signed there were thirty employees, including the manager. The new manager came from the company, as did the two ticket sellers. Twenty-two people were newly hired from the village. The company gave seven or eight evening training sessions to the horse leaders. Our informant said that the company was in the midst of preparations for bringing guests, that it was negotiating with the China Travel Service, both domestic and International, over plans that would make Yuhu part of a new tourism route. They were, he said, discussing prices.<sup>37</sup>

The system the company brought in to manage its employees was posted as a notice we copied from the wall in the new manager’s office:

- If you ask for leave for one day, twenty rmb will be deducted from your salary.
- If you are sick and take a day off, ten rmb will be deducted for one day; for two days or more, you must get a doctor’s certificate.
- If you do not ask for leave, are not sick, and do not come to work, for each day, forty rmb will be deducted from your salary.
- If this goes on for three days, you will be fired.
- If you are late or leave early, ten rmb will be deducted from your salary.
- If in a month there are four days when you arrive late or leave early, you will be fired.
- If these two things happen within a month, you will be fired.

There was a person whose job it was to keep such records on each employee.<sup>38</sup> The first action the company took, less than a week after the contract was signed, was to raise prices. Mu Weichang, the recruiter, explained to us what happened.

The price for the basic 180 rmb route was raised to 300 rmb. Now, of that 300 rmb, the company took 180 rmb and the guide or recruiter got 120 rmb. This was if he actually got the 300 rmb. But if he could only get the

<sup>36</sup> Field notes, 2010, 22.

<sup>37</sup> Field notes, 2010, 8–9.

<sup>38</sup> Field notes, 2010, 19.



former price for that route – 180 rmb – he got nothing. The price for the middle route in the time of the cooperative was 300 rmb, the longest route 350 rmb. After the arrival of the *laoban* (the boss), the price of the middle route was raised to 350 rmb: the longest route to 400 rmb.

At Yulong, the shortest route officially cost 150 rmb; the Yulong company took seventy rmb; the recruiter received eighty rmb. The second route cost 280 rmb and the third route cost 350 rmb. Yulong also had low prices for all these routes; Mu Weichang said that the low price for the short route was seventy rmb and for the middle route ninety rmb. The guides simply would not accept seventy rmb, because then they would get nothing. But Yulong also had a rule that if the recruiter or guide got a price of 200 rmb or more, he or she would receive sixty percent of the total price. So the guides and recruiters started taking guests to Yulong instead of Yuhu.<sup>39</sup>

By the time of our interview with her in the spring of 2010, according to Mu Weichang there were only two kinds of guests coming to Yuhu: people who had visited the village before or who had friends who had visited and recommended the cooperative, and guests brought as groups through tourism organizations with a relationship to the new company. Everyone else was going to Yulong. She said that currently, as a recruiter, she could not find guests and was not making any money. Her family had lost its income of 6,000 to 7,000 rmb per year from leading horses and the minimum one ride per week that they could count on. Now, they were fortunate if they got one ride per month. The company had also opened a new route in Yuhu, to Yuhu Lake and back, for which the horse leaders were paid thirty-three rmb. They felt this was too little. In the past six months, each family had earned only 500 to 600 rmb. Several villagers told us the same story, including Rao Qun's wife, a horse leader. There were currently very few guests, and the villagers were feeling very discouraged.<sup>40</sup>

Mu Weichang's account of the situation was further corroborated when we happened to be passing the ticket booth and observed three guests brought by a driver. There was an argument over price with the ticket seller, and we heard the driver offer to

<sup>39</sup> Field notes, 2010, 1–2.

<sup>40</sup> Field notes, 2010, 2.

take his passengers to Yulong.<sup>41</sup> However, the two former cooperative employees we interviewed were hopeful. Their reasoning was that the company was spending a lot of money and would not do that except on a venture that the boss was confident would be successful. They also had inside information on the negotiations with the China Travel Service, whereas the villagers had heard only a vague rumour that the company would start bringing guests in April. For the villagers, too much time had gone by with no change for the better.

This, to me, was an intriguing example of the significance of communication and of the way information circulated, or failed to circulate, in the village. I would have thought it in the company's interest to reassure villagers by informing them of its progress with new tourism arrangements. Instead, the news seemed to be very closely guarded, company representatives unapproachable. Moreover, the informal communication that I would have expected to take place despite the company's intentions also seemed to have been ineffective in this case. We got our information only through my research colleague's connections with a former employee of the cooperative, and he would only speak to us away from the office; even Rao Qun's wife knew little.

The cooperative had paid its last dividends in 2008, though the funds for education and other forms of community support had been disbursed as usual in 2009. (We were told that neither the cooperative nor the company made these payments; we assumed that the village government had made them.) Seventeen Yuhu students went to university in 2009; they were supported at the usual levels. In 2009, the company paid the village 250,000 rmb as agreed. This amount was divided evenly among village households, according to one informant; he said the village added ten rmb to make the even division possible and the amount came to 177 rmb per person.<sup>42</sup>

When we asked Rao Qun his opinion of the contract with the company, he said he felt it would have been much better if the cooperative members had agreed to reorganize

<sup>41</sup> Field notes, 2010, 5.

<sup>42</sup> Field notes, 2010, 22.

as a shareholding cooperative when it was proposed earlier, rather than opting for an arrangement with a company and a boss.<sup>43</sup>

On both of my visits, this exquisite village appeared to have become a dispirited, apathetic place. In 2009, we visited in April. Though the Chinese team member accompanying me was well known to the villagers, no one was willing to talk openly, even to her alone. In the light of later events, we realized that this had been a time of great uncertainty for the villagers; they were in the process of searching for a ‘boss’, but had not yet found one. At that time, we talked with Vice Party Secretary Ni Lang, who spoke about the founding of the cooperative with energy and pride. Since I had not been in the village since 1998, the change I saw was dramatic; in the intervening years Yuhu had clearly been physically transformed from a poor village to a thriving one. In 2010, the uncertainty remained, villagers worrying about whether or not they had made the right choice. There had, as yet, been no definitive developments to resolve that question. Before returning to a discussion of the issues inherent in this examination of the Yuhu cooperative, I would like to take up two related matters that will add useful context.

## **National Minority Cooperative Traditions**

The first returns to a theme from Chapter 4. Our research in the 1990s had established the significance of Naxi cooperative traditions as exemplified in such groupings as the *hexinzu*. In Yuhu, we found another instance of traditional cooperation in the *huacuo* or *huacong*<sup>44</sup>. What made our discoveries in Yuhu exciting was not that the *huacuo* was new to either of us, but that we had never before conceived of this institution as being so prolific or so extensively intertwined into a village’s affairs. Once the subject had come to our attention, we talked to as many villagers as possible about their participation in *huacuo*.

<sup>43</sup> Field notes, 2010, 23.

Mu Weichang, the recruiter, belonged to a *huacuo* with twelve members, all women in the same age group. Each woman contributed 230 rmb per month. They used thirty rmb each to pay for a monthly meal and transportation if they went into town. Usually, they had forty-to-fifty rmb left over which Rao Qun's wife is saving for the group. So far, they have saved more than 1,000 rmb, which they will eventually use to go on a trip somewhere – possibly to Ninglang, the county town of the bordering county. The other 200 rmb each is given to one member each month, depending on need. You can make a request to receive it because you are building a house or your child needs money for school, for a marriage, an illness, or a funeral. If nobody requests it, the person who gets it is decided randomly – for example, by age, or flipping a coin. When they are busy, they don't have a meal; they meet at someone's home and talk and eat fruit and sunflower seeds.

Mu Weichang also mentioned a *huacuo* for couples wanting to travel. Each couple put in 100 rmb per month. The group has been in existence for five years and has saved more than 60,000 rmb so far. When they decide they have saved enough, they will go somewhere like Beijing. (She knew of another travel group that had recently made a sixteen-day trip to Beijing.)<sup>45</sup>

Rao Qun talked to us about his *huacuo*; I was amazed to find that he belonged to seven *huacuo*, whereas I had never heard of a person belonging to more than one. He said that his wife belongs to ten, if she goes to all of them. The one he talked about most was organized with his middle school classmates; he had been with this group for more than twenty years. Another was a friendship group. He said that *huacuo* are formed so that people can help each other out. If you have five rmb, you can't do anything; but if ten of you get together and you have fifty rmb, then you *can* do something.

<sup>44</sup> The *cuo* used here is not listed as a character in Chinese dictionaries; I found it in a *Baidu* (Chinese Google) article from the Guizhou television station website that suggests it probably comes from the Naxi language. *Cong* is in the dictionary; it refers to a tax paid by national minorities in Sichuan in the Qin and Han dynasties.

<sup>45</sup> Field notes, 2010, 3.

He said that these groups had different purposes. Some meet over fruit and snacks to talk and may not involve money; some are for friendship, fellowship, playing cards and mahjong, relaxation and enjoyment. Others do contribute money so that it can be given to people in turn for some purpose; still others are to save funds for travel, like the ones we heard about.<sup>46</sup>

We talked to Vice Party Secretary Ni Lang about her *huacuo*. She belonged to four, and she said this number was pretty typical. She also said that some were organized on the basis of households rather than individuals; they consisted of relatives. One of her four *huacuo* was made up of her junior middle school classmates; one of senior middle school classmates; one was organized around her *laobiao* (cousins); and there was another that was also kinship based. She said that each one involved contributing around 200 rmb per month, so she spent about 1,000 rmb some months – but some months it was less.<sup>47</sup>

Speaking with villagers, we found that the strength and extensiveness of the *huacuo* custom was characteristic not just of Yuhu but of many Naxi villages where the traditional culture remained strong. Villagers said that, through the *huacuo*, you could discover all the other relationships in a Naxi village in addition to kinship ones.<sup>48</sup> The prevalence of these *huacuo* relationships helped us make sense of the view that managing a cooperative was difficult among people interconnected through a multitude of possibly conflicting ties and obligations.

## **The Yuhu Village Election of April 14, 2010**

### ***Run-up to the Election***

The second matter concerns a village election in Yuhu, which unexpectedly occurred during the period of our visit in 2010. The tie between rural democracy and

<sup>46</sup> Field notes, 2010, 6.

<sup>47</sup> Field notes, 2010, 15.

<sup>48</sup> Field notes, 2010, 13.

cooperatives is an obvious one, and I felt very fortunate to be in the village at that particular time. Village elections are held every three years; thus, elections were occurring in villages all over Yunnan in this period, differing slightly in date. In this election, Ni Qun, a former head of the village committee and newly elected party secretary, was running for the position of village committee head. These positions can be held by two people, but can also be held by one person. Ni Lang, the vice party secretary, was running as vice head of the village committee and three committee members were also to be elected.

The two leading groups, the party committee and the village committee, often work in combination and are then referred to as “the two committees” (*liangweihui*). The village committee consists of five members, the party committee of four to five members. Some people can be members of both, but together the two committees should not exceed twelve people. There is also an enlarged version of the village leadership group that includes the ‘two committees’ as well as the heads of the nine groups (*cunmin xiaozu*), and also some party members.<sup>49</sup>

Talking to villagers prior to the election, we learned that voter turnout this time was expected to be very low. When we asked Party Secretary Ni Qun why he thought that might be the case, he replied:

There are people who have been officials in the past and have done a good job, but in order to do a good, conscientious job, you have to *dezui* (offend) some people. And these people then have opinions against you. So it is better not to be in that position.<sup>50</sup>

Former Party Secretary Rao Qun had more or less the same explanation:

People are not interested in the elections if good people don’t run. But there are many reasons why people who have shown in the past that they are capable don’t want to run. You may think that as a cadre, you do something good, you help most of the people, but you aren’t able to help some people. To do things that benefit everyone, that help the village as a whole, you have to act against the interests of some people. Particularly if

<sup>49</sup> Field notes, 2010, 27.

<sup>50</sup> Field notes, 2010, 10.

these people are your relatives or friends, you are in an awkward position in having made them unhappy.<sup>51</sup>

Another villager elaborated on what Rao Qun had said:

The pay of a cadre is low, and you have no time to do anything else. In future, since the village land is all rented out, you might need to do something questionable to bring in needed income – for example, cut a tree, or mine. This is better done as a private person.

Not wanting to raise the issue with anyone else, I asked my colleague what he thought about reports of vote buying in village elections. He said that he had discussed this question with other researchers and some think it is a problem. His view was that it really didn't matter since it is a secret ballot – you could take money and still vote the way you were going to vote anyway. I said I thought that no one would try to buy the votes of people who were related to or had friendship connections with a candidate – you would be trying to buy the undecided vote, in which case the person probably would vote as paid to do because he would not feel strongly about any candidate. (We did not get any further with this issue.)<sup>52</sup>

We also wondered what influence *huacuo* relationships might have on the election. We asked Rao Qun if he thought they might be a factor – for example, would you be more likely to vote for someone in one of your *huacuo*? Rao Qun didn't seem to think so. However, I later asked an Academy colleague for his views. He thought that *huacuo* were greatly changed from the past, when they were based on the needs of people's daily lives. Now, he said, they were used, among other things, for political purposes – for increasing and improving relationships in the political sphere. He felt that they had an undeniable influence on elections. He also confirmed the prevalence of vote buying.<sup>53</sup>

<sup>51</sup> Field notes, 2010, 10.

<sup>52</sup> Field notes, 2010, 14.

<sup>53</sup> Field notes, 2010, 6, 27.

## *Election Day*

It rained on Election Day, though not hard. Later, there was a mix of brilliant sunshine, wind, dark clouds and spatters of rain. I recorded in my field notes what I observed of the election process that day:

There are three places where people can vote. One is at the village committee offices. The other one we saw is in a private home, which is also one of the five family-run bar-and-tea shops in Yuhu. We went first to this one, but we were early and not much was happening. We walked up with Ni Lang who sat and did cross-stitch. A sound system was playing loud music. Eventually, a couple of men came in with a red ballot box. The number of people on the streets was noticeably greater than usual, and there were clusters of people gathering and talking. In front of the private home, I saw a man with a list of names.

After that, we went to the village committee headquarters. Ni Fu, a member of the original cooperative management group, now working for the company, was standing outside. As people came up to him, he would check a list and write each person's name on a small slip of paper, which he gave to them for identification purposes, and then they went inside. I, too, went inside and looked. A row of men was sitting at the front tables with a ballot box. I saw one man come over with several small pieces of paper with lists of names on them. The papers were yellow and green, more yellow than green. I guessed that the green ones were for the head and vice head and the yellow ones for the members. One of the officials gestured that the man should fold his pieces of paper and put them in the ballot box, but I didn't see where he filled them out. We were told not to take photos.<sup>54</sup>

We heard the results later that day. Party Secretary Ni Qun was elected head of the village committee. Because fifty percent of the votes of the entire electorate are required to be elected, no other position was filled; with a low voter turnout, no other candidate had received the requisite number of votes. There was to be a rerun of the election, which everyone would be required to attend.<sup>55</sup> Two days later, Vice Party

<sup>54</sup> Field notes, 2010, 14.

<sup>55</sup> Field notes, 2010, 18.



Secretary Ni Lang was elected vice head of the village committee and three committee members were also elected.<sup>56</sup>

It does not seem legitimate to draw any particular conclusions on the basis of one village election. However, I found it interesting that people were reluctant to vote except for candidates they considered ‘good leaders’, as did the reasons given for why ‘good leaders’ might not want to run for office. Also, I found it convincing, as my Academy contact had confirmed, that networks of interlocking relationships, exemplified in this village by the *huacuo*, would exert a strong influence in elections.

I would now like to examine issues to do with the Yuhu cooperative’s initiation and management and with its future prospects. In doing so, I propose to include relevant discussions with my Chinese research colleague and with Academy scholars, thus extending the scope of my analysis of this research.

## **An Examination of Issues**

### ***The Cooperative’s Initiation and Management***

In my view, the first question is whether the Yuhu Ecotourism Cooperative should actually be considered a cooperative. The organization was started and managed by the Yuhu Party Committee. Luo Mingjun, writing in the *YASS Handbook for the Promotion of Yunnan Tourist Cooperatives*, aptly describes the cooperative on its founding as embarking on “the course of ‘party branch plus cooperative (dang zhibu + hezuoshe)’.”<sup>57</sup> Though it nominally had its own management committee, board of directors, and supervisory committee, as we heard from Mu Jing, these are the same people as those in the party committee and the village committee. There appears to have been no separate election by members for any of the cooperative’s management positions. Mu Jing also told us that decisions and problems involving the cooperative were not solved at the level of the cooperative but at the level of the party committee and the

<sup>56</sup> Field notes, 2010, 19.

village committee. This form of organization seemed to me to have created an undeniable structural weakness in the cooperative, a problem that I later discovered Luo Mingjun also foresaw. How was it possible to build a sustainable cooperative with management groups whose members, rather than developing allegiance independently to the cooperative, were subject to random change through elections every three years? We were shown an organization chart illustrating these respective relationships (Figure 3).<sup>58</sup>

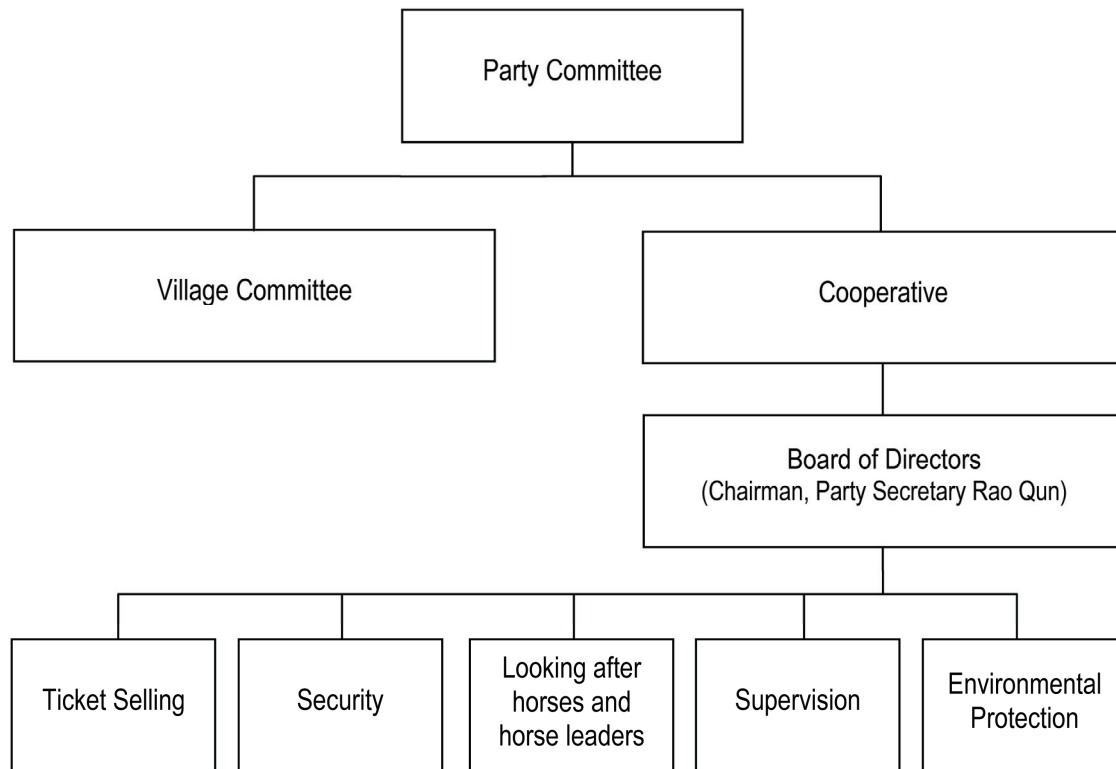
In 2009, when we asked if the cooperative abided by the rule ‘one man, one vote’, Vice Party Secretary Ni Lang answered that the cooperative management committee and the village committee made the decisions, consulting people’s opinions. We asked if there were issues that went before the whole village; she replied that they simply got the opinions of the people through their contact with the leadership group.<sup>59</sup> As we were leaving, my colleague remarked dryly, “Ah, a cooperative with ‘Chinese characteristics’!”

<sup>57</sup> Luo, “Equality,” 79.

<sup>58</sup> Field notes, 2010, 9, 11.

<sup>59</sup> Field notes, 2009, 2.

**Figure 3. Organization Chart of the Yuhu Ecotourism Cooperative**



In 2010, my research colleague's view was that if the cooperative needed to know people's opinions, they would get them through the villager's representative assembly and the nine groups. The nine groups reported their opinions upward, thus involving everyone. If the people didn't agree with a proposed course of action, it was not done. He felt that there was a democratic process involving the representatives and then all of the villagers through the nine groups.<sup>60</sup>

I have some sympathy with this view, particularly since it did seem to be true in Yuhu that the village government did not take decisions that a majority of villagers opposed. I heard more evidence to this effect from an experienced Academy scholar, manager of the reporting project in Yuhu, whose knowledge of the village had developed over several years. This is what she told me:

<sup>60</sup> Field notes, 2010, 9.

She thinks that it was Party Secretary Rao Qun's having lived and worked outside the village, his economic experience and understanding, and, possibly, his long contact with Academy scholars that helped launch what became the cooperative. The village government's two committees gathered opinions first, settled on the form tentatively, and then held a meeting to see if there was agreement. There were many meetings – over the three routes, the prices for the routes – all of this was established through meetings. The villagers were very concerned about how to make everything fair. They liked the 'A' route because it was short and didn't tire either themselves or the horses, but they could see that the 'C' route had other advantages. The party committee and the village committee would meet and then they would talk to people in the village with abilities, natural leaders. Then these ideas would be put to the villagers; if they agreed, then whatever it was would be done. Then, if there turned out to be problems, they would make a change and, once again, ask for approval. At the beginning, for the first three months, they had meetings just about every day, and took the larger problems to the villagers. They were very careful, because they knew that if the villagers didn't agree, it wouldn't work.<sup>61</sup>

I find this impressive, but, after all, it is simply a description of the way the relationship between the Chinese government and the people is supposed to work; it does not meet the international criteria for the management of a cooperative. I would point out also that, from the perspective of the international cooperative movement, one would not view villagers as consisting of those with and those without abilities and natural leadership skills.

And, in addition, I also heard a different view, from another Academy scholar familiar with the project. I asked him to what extent he felt that ordinary cooperative members had participated in the cooperative. I explained that I was using 'participation' to mean simply whether or not people were able to exert some control over the decisions closely affecting their lives. He responded that, to him, this was "the absolutely crucial question."

He felt that between 2004 and 2009, if ordinary people had contrary opinions they wanted to express, it was unlikely they would because of the strength of Rao Qun and others. He said that, for example, you would notice, walking around with Rao Qun in the

<sup>61</sup> Field notes, 2010, 27.

village, that not many people greeted him; they felt that he and they had no common language. He said that he talked to Rao Qun about being in a high position and not paying sufficient regard to ordinary people. When he said this to Rao Qun, Rao Qun's response was "I don't understand." But he listened, and my informant felt that he changed.<sup>62</sup>

This is what Rao Qun had to say about himself in his role as leader:

Rao Qun talked last night about how democratic he is in the way he leads. One important part of this seems to be that the villagers have veto power. Anything they are really against does not go forward. He said if he felt he had seventy percent of the people behind him, he could do whatever it was. This morning, he was talking about the way he leads; he is straightforward and says exactly what he thinks. Also, he believes that you should never ask people to do something you don't do yourself. You must lead by example. So he says at home, though he does a lot of other things – does some of the cooking, takes care of the plants, fixes things – he doesn't usually mop the floors. But at work, he is the first person to pick up a mop. He isn't very fond of his new job as a township government leader because it is more distanced from the villagers. He realizes that he may have more power to help his village from Baisha, but he loves the practical and prefers to work at the grass roots level.<sup>63</sup>

Evidently, observing Rao Qun for two weeks did not place me in a position to reach any conclusions on this matter, even though we lived with his family, ate many of our meals in his home, and had an opportunity to talk with him over breakfast and for extended periods most evenings. I found him a cordial, cultured, decisive and somewhat reserved man. It was easy to imagine him as a strong leader, but also as someone who might not have easy, friendly relationships with large numbers of people.

I also had an interesting discussion with my research colleague in Yuhu on the subject of leadership. I asked him whether he thought that views on matters to be decided could be put forward from the grassroots level?

People here have told us that if the villagers have thoughts, they say something, but not openly. You remember Ni Qing [the party secretary

<sup>62</sup> Field notes, 2010, 29–30.

<sup>63</sup> Field notes, 2010, 23.

preceding Rao Qun] saying that they will say something behind your back. But it doesn't matter because the leaders might have the same idea.

I asked why the villagers couldn't openly put forward opinions? He replied, "Because they don't think of things themselves. That's why someone like Rao Qun steps forward as a leader." I said I thought that villagers must have opinions on minor issues at least? He responded, "It's not possible. (*Buhui*.) Even where I work, most people don't think about how something should be done. Why would they?"<sup>64</sup>

I find this a view worth questioning at the very least. My Academy informant's conclusion was that if you wanted to find participation in Yuhu, the place to look was at the level of village organizations such as the Elders' Association, the Women's Association, and even things like the soccer team. "We don't usually take these organizations into account," he said, "but they are ways for people to get together, to pass on news and share ideas."<sup>65</sup> Very interesting, in my opinion, but the question remains: to what extent do these organizations influence decision-making?

A more compelling argument regarding the level of cooperation in the village than the quality of the interaction between leadership committees or leaders and villagers is the fact that the villagers themselves had insisted on an organization in which all villagers participated. This was a question that puzzled me throughout my visit, and I finally asked Rao Qun for an explanation. I said that I had been in other villages where it did not seem to bother people that they might become better off while their fellow villagers remained poor. What made Yuhu different? He was silent for a few moments, then said, very quietly, that he thought it was because for thirty or forty years, *everyone* in Yuhu had been so very poor; people from Yuhu were universally looked down on because of their poverty. It had only been in the last ten years that that 'hat' had been removed. Now, he said, you can say that you come from Yuhu and take pride in it.<sup>66</sup>

But is this indisputably laudable determination that everyone must be included and everyone must benefit a sufficient reason for calling an organization a cooperative?

<sup>64</sup> Field notes, 2010, 24–25.

<sup>65</sup> Field notes, 2010, 29.

<sup>66</sup> Field notes, 2010, 27.

And is the fact that villagers seem able to exert veto power over decisions they do not agree with enough to constitute democratic management? And even if we do not think international cooperative criteria are met, should there be a compromise position? I propose to take up these questions in the next two chapters.

### ***Questions Regarding Yuhu's Future***

My research colleague, Sui Qiang, and I discussed how company management of the cooperative might affect the village in future. For example, we were concerned about what might happen to the cooperative's contributions to the village's welfare – road maintenance, the support to education, and so on. We knew that the payments had been continued in 2009, but that had occurred during the transition period and had nothing to do with the company. Would the company continue to make these contributions? When we spoke with Ni Qun, the new party secretary, he said that the 250,000 rmb from the company must be given to the people, just as had happened during the time of the cooperative's annual distribution of dividends (*fenhong*). He said it would remain proportional, as before, when sixty percent was paid in equal amounts to each household and forty percent was paid according to the number of people in the family. He wasn't sure that this would be the new actual proportion, however. (We noted, later, that the 2009 payments had been equal rather than proportional; we wondered whether this might set a precedent.)

Sui Qiang was sure that the company would not pay for village road repairs; he thought that the village government would have to take care of that expense directly in future. But he thought that perhaps Ni Qun, once he had had time to consider, would decide to hold back money from the 250,000 rmb to cover some assistance to the village. The payments previously made did not cost very much. And he could not see the village ceasing to support education. He thought that the company might even contribute a little to supporting activities that would benefit the village.<sup>67</sup>

<sup>67</sup> Field notes, 2010, 10.

We were curious about whether the village had made a ‘good deal’ in accepting 250,000 rmb annually as remuneration from the company. However, Rao Qun assured us that 200,000 to 250,000 rmb was the cooperative’s approximate annual profit. We made our own calculations from everything we had been told and came to the same conclusion. I wondered whether it might not have been possible to negotiate a contract that gave the company a percentage of the profits rather than the arrangement that was made which gave the village no additional benefit with the greater success of the company. However, Sui Qiang thought ‘the boss’ would never have accepted a different deal. It would not have been in her interest; after all, she was taking on the risk and had high initial expenses.<sup>68</sup>

We disagreed about the relationship between the company and the party committee and the village committee. Sui Qiang thought that the relationship was very clear: the company decides absolutely everything having to do with horse leading; the two village committees decide everything having to do with the village. He did not think there would be much need for negotiation between the party committee and the company. To him, the division of roles was very clear.<sup>69</sup>

I wasn’t so sure. To me, what the company planned to do would have a huge impact on the village, an impact that I felt would not be easy to negotiate. I saw the roles of the two leading committees and the company as overlapping in ways that were very likely to cause difficulties. For example, the company was apparently engaged in discussion with various levels of the China Travel Service, as it had been given the right to do. Sui Qiang and I agreed that 30,000 visitors annually<sup>70</sup> probably approximated the number that the cooperative was bringing in during its peak years. We were both surprised at the results of this calculation. The problem as far as I was concerned was that bringing in tourists in large groups as the China Travel Service would do, rather than

<sup>68</sup> Field notes, 2010, 16–17.

<sup>69</sup> Field notes, 2010, 17.



a few at a time as before, would hugely change the way tourism affected the village. Buses would be used for transportation, requiring parking lots and better roads; the tourists, too, would be different, less likely to be sensitive to preserving culture, ecology, and the villagers' privacy. It was likely to become harder to hold the line on restaurants and guesthouses. I wondered how the company and the village's two leading committees could and would make decisions on these complex questions.

I also wondered about the relationship between village employees and the company compared with the relationship villagers had had as members working for the cooperative. Granted, there were only five villagers who had experienced the previous management methods; however, the entire village, I thought, would be aware of the differences. In the view of one of my Academy informants, at its best, the cooperative was very well organized. She said, for example, that when they thought necessary, cooperative employees in charge of looking after the environment had controlled the number of horses they allowed on the mountain. They explained to horse leaders that even if it meant turning guests away this had to be done; too many horses would damage delicate grasses and plant life. There were no rules to this effect; this was an initiative taken by members.<sup>71</sup> I felt that such initiatives would not be taken by employees working under what I saw as a coercive and punitive set of regulations. I was not surprised to find the atmosphere in the company office when we visited surly and unwelcoming. But in preferring the management style of the cooperative, I found Sui Qiang and I once again at odds. His view was that if you couldn't find able management within a cooperative, you brought in someone from outside. He thought that was true anywhere, whereas my preference would have been for trying to fix the problems.<sup>72</sup>

I was troubled by my 2009 colleague's half-joking remark that the reporting project materials from the Yuhu site were a constant repetition of, "led horses, played

<sup>70</sup> The unsigned version of the contract we saw stipulated "30,000 to 50,000" visitors, but did not include the penalty provision that had been described to us for failing to reach that number. The contract said only that the contracting party would "undertake to provide" this many guests. There was no clause that specified the duration of the contract.

<sup>71</sup> Field notes, 2010, 29.

<sup>72</sup> Field notes, 2010, 17.

mahjong.” As a purely subjective impression, that was the way the village seemed to me – as a place where people were bored, lacking enough to do. This inactivity was undoubtedly due partly to the fact that everyone was waiting for the company to start bringing guests, but I felt that wasn’t the whole story. I wondered if, having suffered greatly from poverty in the past, the village wasn’t now feeling the negative effects of a little too much prosperity?

Finally, I agreed with the view of Academy scholars that one of the cooperative’s central problems was too great a dependence on Rao Qun. They said that they had pointed this danger out to him quite early, in conversations during their many visits to the village. He had agreed and attempted to find and train people who could take over from him, but, unfortunately, he was not very successful. The Academy scholars would have preferred to see the village develop its tourism in the direction of bed and breakfast home-stays, cultural activities, and culturally related eco-tourism products, feeling that horse leading had already developed as far as it could.<sup>73</sup>

## Summary

I would argue that the Yuhu cooperative embodies aspects of what we saw in the 1940s Lijiang *Gung Ho* cooperatives and in the 1990s cooperatives. In my view, it resembles the 1940s cooperatives in that it arose from the mutual determination of poor people working together to raise everyone equally out of poverty. This determination and the horse leading activity itself pre-dated the intervention of the village leadership groups that organized the cooperative. Where the 1990s cooperatives are concerned, as we have seen, one or two of them exhibited an impetus that could be called ‘bottom-up’, but none was able to organize a cooperative in which all households were members and all benefited equally. In other respects, the Yuhu cooperative seems to me to be an example of the extent of participation in management and the kind of success the 1990s cooperatives might have aspired to. Cooperatives of all three periods are, I believe, based

<sup>73</sup> Field notes, 2010, 27, 29.

significantly on Naxi cooperative traditions. As regards the Yuhu cooperative, the view that Peter Goullart attributed to the Nationalist government in the 1940s – that small cooperatives, established to solve problems of poverty, tended to have a natural and fairly short lifespan – interests me in this context. Goullart felt that these cooperatives existed to fulfill the hopes and needs of their members and dissolved when, at their most successful, that had been accomplished. While this perspective makes some sense to me for Goullart's period, obviously, in different circumstances and conditions, cooperatives can be and are sustained for long periods. In any case, this is only to say that I regret the passing of the Yuhu cooperative. I do not think that its natural end had been reached.

## **Chapter 7.**

### **‘Frameworks’**

I will begin this chapter by laying the groundwork for arguing that the concept of democratic management through members’ participation, in particular the ‘one man, one vote’ principle central to how cooperatives are defined internationally, is based on specific aspects of the western democratic tradition. My purpose in doing so is to provide a basis in the final chapter for comparing the Canadian cooperative, Vancouver’s CRS Workers’ Cooperative, mentioned earlier in the thesis and described more fully in Appendix 1, with the Chinese cooperatives of the three different periods examined in Chapters 2 to 6. Crucially, I will contend that democracy is a ‘culturally embedded’ concept and must be so viewed in this context. To make this argument, I will look at how democracy, by contrast, has been viewed within the Chinese tradition.

Based on this discussion, I wish to investigate a central element emerging from the Chinese tradition – the relationship between leadership and led – that influences the functioning of Chinese cooperatives. I will pose this issue as a series of frameworks within which China scholars, both Western and Chinese, have attempted to place the relationship and to describe how it plays out generally in Chinese society. I will suggest that the relationship between leadership and led is diverse and complex, dynamic and multi-layered, implicit and complicit; the frameworks I have selected will illustrate these qualities. Two of the frameworks are urban in origin and have to do with intellectuals, but I view them as applying broadly, if differently, to everyone – in rural as well as urban settings.

I will turn now to considering views, primarily Chinese, on the meaning of ‘democracy’ within the Chinese tradition. In doing so, I am arguing, as above, that perspectives on democracy are culturally mediated.

## The Chinese Tradition: Minben and Minzhu

Lei Guang, using the phrase “culturally embedded,” argues that it is improper even to use the term ‘democracy’ when speaking about China because its meaning evolved in western settings. Instead, we should use Chinese terms that emerged and changed in a Chinese context over the long course of Chinese history to describe Chinese realities.<sup>1</sup>

According to Lei Guang, ‘*minzhu*’, the Chinese word for ‘democracy’, derived part of its meaning from ‘*minben*’, a traditional term which meant “treating the welfare of the common people as the basis of wealth and power of the polity.”<sup>2</sup> Logically, then, the interest of the ruler and the interest of the people is the same. The ruler must put the interest of the people above all else, but the ruler does this because it is in his own interest – he must do so in order to stay in power. It is a paternalistic philosophy, evidently, but it does allow for the notion of accountability of government officials to people since government actions that threaten the people’s welfare may cause them to rebel and fracture the harmony of interests on which the concept of ‘*minben*’ is based.<sup>3</sup> It is interesting to me how well this analysis can be seen to fit with the later Marxist conception of ‘*minzhu*’, the term now used for ‘democracy’. As I will suggest in due course, it is also an immensely important way of conceiving the relationship between leadership and led.

‘*Minzhu*’ comes from ‘*min*’, meaning ‘the people’ in the sense of “the proletariat and its allied classes”<sup>4</sup> and ‘*zhu*’ meaning ‘masters’. This embodied the Marxist concept that under a proletarian democratic dictatorship, the people, having risen up and

<sup>1</sup> Lei Guang, “Elusive Democracy: Conceptual Change and the Chinese Democracy Movement, 1978 - 79 to 1989,” *Modern China* 22 (4) (1996): 417–447, 441.

<sup>2</sup> Lei Guang, “Elusive Democracy,” 421.

<sup>3</sup> Lei Guang, “Elusive Democracy,” 423.

<sup>4</sup> Lei Guang, “Elusive Democracy,” 423.

overthrown the exploiting bourgeoisie, would “become masters of their own destiny by directly participating in the management and control of the state.”<sup>5</sup>

This meant that, as was the case with ‘minben’, no difference was recognized between the interests of ruler and ruled. As another Chinese scholar has noted, the Chinese Communist Party was not regarded as having interests of its own, but rather as ruling in the long-term interest of the people. In fact, the interests of party and people were one. Nor was ‘the people’ regarded as having anything but a unity of interests.<sup>6</sup>

## **Post-1949 Chinese Views of Democracy**

### ***Participatory Democracy or Populism***

Once this is understood, the categories Chinese scholars (Lei Guang, He Baogang) agree on as describing post-1949 democracy movements make perfect sense. Both He Baogang and Lei Guang see the Cultural Revolution as a critical force in generating later ideas of democracy. He Baogang says that after the Cultural Revolution, it was generally perceived that Mao’s ideal of proletarian democracy had failed.<sup>7</sup> Lei Guang points out that activists of the first significant post-Mao attempt at achieving greater grassroots democracy – the 1978 – 1979 ‘Democracy Wall’ movement – were largely factory workers, many of whom had been ‘sent-down youth’ (young people sent to the countryside) during the Cultural Revolution.<sup>8</sup> Lei suggests that because of their background as workers, Democracy Wall activists stressed the importance of economic *minzhu* (democracy), *minzhu* in the production process, as well as political *minzhu*, things that were of direct and immediate concern to the general population, ideas he terms populist.<sup>9</sup>

<sup>5</sup> Lei Guang, “Elusive Democracy,” 423.

<sup>6</sup> Ding Yijiang, *Chinese Democracy after Tiananmen* (Vancouver and Toronto: UBC Press, 2001), 112.

<sup>7</sup> He Baogang, *The Democratization of China* (London and New York: Routledge, 1996), 1.

<sup>8</sup> Lei Guang, “Elusive Democracy,” 439.

<sup>9</sup> Lei Guang, “Elusive Democracy,” 438.

Lei Guang says that we should see their struggle as arising from the Marxism of the late 1970s and hence quite naturally falling within a ‘participatory democracy’ framework. They referred to the Paris Commune and to Yugoslavian systems of worker-management because they were concerned with achieving a degree of citizen participation and control over state affairs – which they saw as having been promised to them from within the Marxist tradition. Wei Jingsheng and Ren Wanding, in advocating individual rights, were exceptions in this period.<sup>10</sup>

He Baogang refers to the views of the period as ‘populist democracy’ and says that it “advocated direct mass democracy...in which the working class or proletarian class has final control over state affairs.”<sup>11</sup> He also sees it as looking to the Paris Commune as a model, and adds that the democracy it advocates is “the antithesis of the bureaucratic apparatus,” and can only be brought about by mass movements and a new revolution.<sup>12</sup>

The interesting thing is that the traditional ‘minben’ view still applies here: it is still the case that a government exercising ‘minzhu’ as conceived by the 1970s democracy activists would be maximizing the *collective* welfare of the people. Lei Guang notes that even Wei Jingsheng thought that if individual interests were allowed free expression, they would eventually converge.<sup>13</sup>

### ***The Other Two Ideas of Democracy***

He Baogang talks of three different ideas of democracy as having arisen after the Cultural Revolution. The other two (the third being ‘populist’) he terms ‘paternalistic’ and ‘liberal’. In his view, these three ideas of democracy are all still current: “...these are

<sup>10</sup> Lei Guang, “Elusive Democracy,” 430–431.

<sup>11</sup> He, *Democratization of China*, 2.

<sup>12</sup> He, *Democratization of China*, 8.

<sup>13</sup> Lei Guang, “Elusive Democracy,” 432.

the three contestants in Chinese ideological infighting today, and are likely to remain so.”<sup>14</sup>

Of the three ideas of democracy, He focuses on liberalism because in China he sees it as strongest.<sup>15</sup> According to He, liberalism is especially attractive to Chinese intellectuals not because it is Western but because they see it as able to address the deficiencies of the Chinese political system.<sup>16</sup> Similarly, I see more recent acts by Chinese mainstream intellectuals as fitting precisely within this depiction of Chinese liberalism and its preoccupations. In He’s view, the experiences of the Cultural Revolution have led Chinese intellectuals to liberalism due to its central preoccupation with individual rights. Using a natural rights argument, they espouse the idea of human rights as a basis from which they can consider an appropriate redesign of Chinese political institutions. Liberalism, in his view, is above all concerned with placing limits on state power and consists in “the urgent recognition of equal liberties, institutional protection of rights, fair procedures.”<sup>17</sup> Both He and Lei Guang agree in seeing the next significant democratic movement, the 1989 student movement, as liberal. Lei Guang points out that the participants in the 1989 movement were largely intellectuals and students rather than the factory workers of the earlier movement.<sup>18</sup>

## **Liberalism**

He Baogang outlines the views of Wei Jingsheng, Hu Ping, and Yan Jiaqi as the central theorists of Chinese liberal democracy. (It is interesting to note that He sees Wei as a liberal rather than a populist, probably because of Wei’s views on individual human rights.)

According to He, Wei conceived of democracy as a cooperative system recognizing the equal rights of all human beings, a system that resolves social problems

<sup>14</sup> He, *Democratization of China*, 1.

<sup>15</sup> He, *Democratization of China*, 3.

<sup>16</sup> He, *Democratization of China*, 2, 8.

<sup>17</sup> He, *Democratization of China*, 10–12.

<sup>18</sup> Lei Guang, “Elusive Democracy,” 439.



on the basis of cooperation. He believed that democracy is a necessary condition for economic modernization, and that democracy promotes prosperity and creates optimum opportunities for the pursuit of freedom, the first goal of happiness.<sup>19</sup>

In Wei's view, the individual is more important than the collective. A collective can only be grounded in the common character and common interests of many different individuals, and collectives matter only because they are essential for the well-being of the individual.<sup>20</sup>

Wei believed that socialism and democracy could be compatible, that democracy required only that the equal rights of all should be protected. Real socialism would ensure equal rights to individuals in making a living and ensure that these rights could be realized through free organization in a democratic political system.<sup>21</sup>

Hu Ping's emphasis, according to He Baogang, is slightly different: Hu Ping is primarily concerned with protecting the individual against abuse of power by the government. For this reason, freedom of speech is, for him, the crux of liberal democracy. Hu Ping's version of liberal democracy would narrow the scope of state power, extend the autonomy of civil society, and extend political participation, based on equal rights for all parties to enter into the competition for power.<sup>22</sup> The author sees Hu Ping as first and foremost a libertarian, believing in liberty as non-interference, rather than providing any positive direction for re-organizing society.<sup>23</sup>

Yan Jiaqi advocates the establishment of democratic institutions and procedures as a means of limiting power. His intention is to replace 'rule of man' by 'rule of law'.<sup>24</sup> Yan sees the Chinese political system as 'non-procedural' and believes in the over-riding

<sup>19</sup> Wei Jingsheng, in James D. Seymour, ed., *The Fifth Modernization: China's Human Rights Movement 1978 – 1979* (New York: Human Rights Publishing Group 1980), quoted in He, *Democratization of China*, 58.

<sup>20</sup> Wei Jingsheng, in Seymour, *The Fifth Modernization*, quoted in He, *Democratization of China*, 59.

<sup>21</sup> Wei Jingsheng, in Seymour, *The Fifth Modernization*, quoted in He, *Democratization of China*, 60.

<sup>22</sup> Hu Ping, "Ziyoushuyi sichao zai zhongguo de mingyun" ("The Future of Liberalism in China"), *Zhongguo Zhichun (China Spring)*, 2 (1991):36-38, quoted in He, *Democratization of China*, 63.

<sup>23</sup> He, *Democratization of China*, 64.

importance of instituting democratic procedures. In particular, he believes that procedures must be put in place for replacing Party and government leaders since, in his view, the Cultural Revolution was a succession crisis brought about by Mao's attempt to unseat Liu Shaoqi.<sup>25</sup>

Before going on to He Baogang's view of 'paternalistic democracy', I wish to interpolate a few other significant points on the Chinese view of democracy. Andrew Nathan, a Western sinologist who has written extensively on democracy in China, argues that many Chinese theorists' view of democracy is extremely unrealistic, a view which to me seems correct. He says that even when they have used democratic rhetoric, most people have seen democracy as "...a mystical solidarity of state and people..."<sup>26</sup> They have not realized that it is instead "...an improvised and unstable and flawed compromise among competing forces that can never be satisfied."<sup>27</sup>

Lei Guang agrees. He says that Chinese democrats seemed to want to believe that once democracy was achieved, people would naturally cooperate for the common good. Wei Jingsheng was almost alone in talking of individual rights in 1979; by 1989, democracy activists emphasized individualism and individual rights, but not individual interests. They understood that a certain degree of pluralism might be a necessary part of *minzhu* but differing interests were not a part of this concept. In particular, conflict among interests was not part of the concept. Lei Guang cites other writers in attributing this to "...Confucian values such as cooperation, voluntarism, and general harmony..."<sup>28</sup> When, after 1989, pluralism was further emphasized, the notion of interests remained vague.<sup>29</sup>

<sup>24</sup> He, *Democratization of China*, 65-66, 68.

<sup>25</sup> Yan Jiaqi, *Yan Jiaqi and China's Struggle for Democracy*, trans. and ed. David Blackman and Dali Yang (New York: M. E. Sharpe, 1991), 96-108, quoted in He, *Democratization of China*, 65-67.

<sup>26</sup> Andrew J. Nathan, *China's Transition* (New York: Columbia University Press, 1997), 66.

<sup>27</sup> Nathan, *China's Transition*, 81.

<sup>28</sup> Lei Guang, "Elusive Democracy," 428.

<sup>29</sup> Lei Guang, "Elusive Democracy," 437.

Lei Guang feels strongly that another problematic ingredient in the Chinese view of democracy (*minzhu*) is that it has always been considered as instrumental, never as primary. It has been seen as a means to nationalism, the development of China as a strong and prosperous nation. He says that this view resulted from “one key observation” – that the developed and economically powerful world nations all had democratic political systems. Thus, the rather simple logic ran, if China wanted to become rich and powerful, it, too, must become politically democratic. Democracy thus becomes a development strategy rather than a political principle.<sup>30</sup> “Chinese *minzhu* is still encumbered by the notion that it should facilitate national development and that, precisely for that reason, it becomes a moral cause to champion.”<sup>31</sup>

And, to me, most important of all, Lei Guang agrees with He Baogang in his view that the liberal theorists are elitist. Lei Guang points out that during the Democracy Wall movement, nobody was counted as unfit for *minzhu* except class enemies. By contrast, the 1989 activists, Lei Guang says, “did not believe that all people know what their interests are and that all interests are equally worthy of consideration. Some people might have interests inimical to *minzhu*. Hence certain people or groups of people may be excludable from the *minzhu* system.”<sup>32</sup> “The 1989 activists expressed only horror at the prospect of a *minzhu* system that would give peasants equal voting rights.”<sup>33</sup>

On this issue, Nathan comments that some Chinese consider the peasants to be “...anti-city, anti-foreign, anti-intellectual, and authoritarian.”<sup>34</sup> Their argument is that China as a basically peasant society will have difficulty becoming democratic. Nathan disagrees. He says that peasants these days should be called farmers, not peasants, and that they are not being given sufficient credit for their developing level of sophistication. He believes that in reality Chinese democrats may fear allowing farmers to affect

<sup>30</sup> Lei Guang, “Elusive Democracy,” 426.

<sup>31</sup> Lei Guang, “Elusive Democracy,” 442.

<sup>32</sup> Lei Guang, “Elusive Democracy,” 437.

<sup>33</sup> Lei Guang, “Elusive Democracy,” 439.

<sup>34</sup> Nathan, *China's Transition*, 72.

policy.<sup>35</sup> I agree with both parts of this view. I will now return to ‘paternalistic democracy’.

### **Paternalistic Democracy**

‘Paternalistic’ democracy was developed by Deng Xiaoping at the end of the Cultural Revolution and was designed to give legitimacy to the CCP regime, while leaving the realities of Party rule and power untouched. The ‘democracy’ it provided, in He’s view, was formalistic and political freedom was strictly limited. But a form of civil society has been allowed to emerge, though it is strictly limited to the economic sphere, in his view.<sup>36</sup>

According to the tenets of ‘paternalistic democracy’, “...democracy is given to people by enlightened leaders; and democracy is understood as a good government that looks after the well-being of its subjects.”<sup>37</sup> He sees this concept of democracy as deriving from traditional Chinese paternalism plus Marxist-Leninist elements – the proletarian class as the ruling class and the crucial role of the party-state in achieving proletarian democracy. He quotes Lucien Pye as stating that Asian governments share “an over-riding concern for unity, for holding the national community together. Paternalistic authority, especially in the Confucian cultures, can demand conformity on the basis that everyone should be willing to make sacrifices for the collective good.”<sup>38</sup>

Thus, in He’s view, Chinese paternalistic democracy is characterized by a collectivism that justifies limitations on individual liberty.<sup>39</sup> The components of this collective appeal are such factors as the need to modernize the country, to make it into a great power, avoidance of another Cultural Revolution, the realization of the ‘greater interests’ of the people. Thus the ‘democracy’ involved is purely functional: it is a

<sup>35</sup> Nathan, *China’s Transition*, 72.

<sup>36</sup> He, *Democratization of China*, 2.

<sup>37</sup> He, *Democratization of China*, 40.

<sup>38</sup> Lucian W. Pye, *Asian Power and Politics: The Cultural Dimensions of Authority* (Cambridge, MA: Harvard University Press, 1985), 329, quoted in He, *Democratization of China*, 41.

<sup>39</sup> He, *Democratization of China*, 41.

democracy designed to strengthen paternalistic authority, not one intended to enhance individual freedom and rights or the development of individual potential. In fact, individual freedom is seen as conflicting with this version of democracy.<sup>40</sup>

He Baogang is critical of all these views. He feels that ‘paternalistic democracy’ is unsatisfactory in both theory and practice, yet he thinks that, amended, it might have some potential for China’s future. He feels that the solution for China is liberal democracy, but he finds flaws with all of the liberal theorists. Wei’s views he finds “somewhat idealized and over-simplified.”<sup>41</sup> Hu Ping’s views, he thinks, verge on anarchy,<sup>42</sup> and Yan Jiaqi is elitist.<sup>43</sup> The populists, he says, have modified their position and shifted toward a liberal view, at least with respect to no longer advocating violence. ‘Populist democracy’ is not the right alternative for China, yet he agrees with Lei Guang that liberals have much to learn from it.<sup>44</sup>

## **Framework 1: The ‘Mass Line’ and How It Is Mediated**

The model for what He Baogang calls ‘paternalistic democracy’ – what I will refer to as one means of ‘framing’ the relationship between leadership and led in China – is ‘the mass line’ (*qunzhong luxian*). Mao embodied this view in the phrase ‘from the masses, to the masses’, and stated that the Party must rely on the masses for strength and serve their needs. I take the mass line to be the means of providing for democracy within Mao’s Leninist-influenced Marxist practice; in my view, it must, at the very least, have worked well at some times and in some places. In particular, it is hard to believe that a revolutionary war could have been fought successfully had not the mass line been carried out in a very genuine way to mobilize the peasantry. Put simply, it consisted of collecting the opinions of the masses at the base, concentrating and refining them at

<sup>40</sup> He, *Democratization of China*, 41–43.

<sup>41</sup> He, *Democratization of China*, 60.

<sup>42</sup> He, *Democratization of China*, 64.

<sup>43</sup> He, *Democratization of China*, 70.

higher levels, adding in the knowledge which each level could contribute, and finally formulating a policy which was then passed back down the line for further comment and revision. Once a policy eventually reached its final form, according to the precepts of democratic centralism, it was incumbent on everyone to follow it, those who disagreed as well as those who agreed.

In an interesting reflection on ‘the Yen-an Way’ – the practice of the mass line which was supposed to have reached its epitome at the Yen-an revolutionary base – Pauline Keating contrasts two counties within one base area and shows what the local conditions made possible, how democracy was much more developed in one than the other. She also makes a very convincing case for the necessity of ‘state-building’, and the extent to which the Party was operating under strong pressures of various kinds. Mark Selden argues that there were all kinds of reasons why the CCP was able to appeal to people at that time. He suggests that solving their economic problems was the most basic – land re-division, or when that seemed too radical, other more moderate measures such as tax reform, rent and interest reduction, mutual aid to increase production. Both authors agree that there was not as much democracy involved in the ‘Yen-an Way’ as scholars had originally thought. They suggest, though, that given the wartime conditions, it was hardly reasonable to expect too much democracy. But they both argue strongly for the democratic potential of the ‘Yen-an Way’, even if, in the end, it fell short of its ideals.<sup>45</sup>

Here, my concern is with ‘the mass line’ as it continues to represent the Party’s view on how democracy is achieved within contemporary Chinese socialism. While possibly capable, at its best, of providing for substantial democracy, this is essentially a theory based on an unequal, hierarchical relationship between leadership and led. However, as I wish to show, this relationship is not simple; instead, it is mediated in various ways that give it considerable complexity.

<sup>44</sup> He, *Democratization of China*, 221.

<sup>45</sup> Pauline B. Keating, *Two Revolutions: Village Reconstruction and the Cooperative Movement in Northern Shaanxi, 1934 – 1945* (Stanford: Stanford University Press, 1997); Mark Selden, “Yan’an Communism Reconsidered,” *Modern China* 21 (1) (1995): 8- 44.

I will start with the traditional concept of ‘remonstrance’, which various writers (Lei Guang, Andrew Nathan writing about democracy; Merle Goldman, Shiping Hua, writing about Chinese intellectuals) consider characteristic of Chinese democracy and pertaining to the relationship between leadership and led. ‘Remonstrance’ carries with it the implication that the remonstrator does not oppose the ruler but is rather his loyal subject, with the duty and responsibility to point out his errors. Lei Guang feels that both the ‘Democracy Wall’ and 1989 activists should be considered “remonstrators from within the system.”<sup>46</sup> Nathan points out that, unlike democracy activists in other socialist countries, Chinese activists have seen themselves “not as challenging the regime, but as enlisting on the side of a faction within it.”<sup>47</sup> Traditionally, as Nathan says, “...honest advice to the sovereign remained the duty of every official.”<sup>48</sup> Remonstrance was unselfish, courageous; even if it failed, “the act of self-sacrifice affirmed the moral character of the state and set an example for later generations of the minister’s duty to guide the sovereign.”<sup>49</sup>

In a 1994 *China Quarterly* article on deputies to the National People’s Congress, Kevin J. O’Brien delineates a “sub-role” as “remonstrator” which some deputies choose to play. Remonstrators are

...quasi-insiders who seek attention and transmit information that may help rectify administration. Like upright officials in imperial China, they assert a right to recognize injustices and mistakes, and to confront leaders...Deputies who choose this role are in some sense legitimate complainers who open doors, point to regulations, and appeal to fairness. They help the government police itself and provide surveillance from outside the normal hierarchy of administrative responsibility...<sup>50</sup>

In keeping with their role as remonstrators, these deputies make suggestions and attempt to persuade in situations where the leadership is not required to respond. They

<sup>46</sup> Lei Guang, “Elusive Democracy,” 426.

<sup>47</sup> Andrew J. Nathan, *Chinese Democracy* (Berkeley: University of California Press, 1985), 24.

<sup>48</sup> Nathan, *Chinese Democracy*, 24.

<sup>49</sup> Nathan, *Chinese Democracy*, 25.

<sup>50</sup> Kevin J. O’Brien, “Agents and Remonstrators: Role Accumulation by Chinese People’s Congress Deputies,” *China Quarterly* 138 (1994): 359-380, 368-369.

have no power other than personal prestige. They act not with the backing of constituents or official procedures, as might be the case in a western country, but rather from the conviction that they are making reasonable requests that may be acceded to if deemed correct. While acting as remonstrators, most deputies continue also to carry out the responsibilities of their primary sub-role as “regime agents.”<sup>51</sup>

Shi Tianjin is a Chinese scholar whose interest is the ways in which Chinese citizens (specifically Beijing residents) are able to involve themselves in the political process. Shi argues that Western scholars who take China to be totalitarian are wrong, that the Communist Party in fact tolerates “private interest articulation” as long as it does not challenge Party control or damage “collective interests.”<sup>52</sup> Shi’s work outlines many avenues of citizen participation, but I would like to look briefly at just a few of the most commonly used and most significant.

The first Shi calls ‘personal contacting’; it involves contacting officials at various levels. If a policy is not yet formalized, citizens can express opinions; if it is already made, they can press officials to protect local interests in implementing the policy. They can also press higher-level officials to attempt to over-rule lower level policies or to report local abuses of power.<sup>53</sup>

The next most commonly used means of participation in the political process utilizes various channels of appeal, which are, I think, surprising both in number and in the extent to which they are used.

Shi says that the government is fully aware of the existence of diverse and conflicting interests among people and understands the necessity of permitting channels for these interests to express themselves. In fact, it attempts to keep the expression of interests under control by deliberately setting up its own channels – both government and Party – for their expression. The most important channels are through the organizational

<sup>51</sup> O’Brien, “Agents and Remonstrators,” 368–369.

<sup>52</sup> Shi Tianjin, *Political Participation in Beijing* (Cambridge: Harvard University Press, 1997), 44-45.

<sup>53</sup> Shi, *Political Participation*, 45.



hierarchy – for example, one’s work unit’s supervisory agency.<sup>54</sup> Other channels are political organizations – the Communist Party, the Communist Youth League, the ‘democratic parties’.<sup>55</sup> Trade unions form another channel and People’s Congress deputies yet another.<sup>56</sup>

There are other, more interesting channels. The right to complain to higher levels was written into the 1982 constitution. Hence, every level of government has a permanent office to deal with complaints: the ‘Office of Letters and Visits’ at the district level, the ‘Department of Letters and Visits’ for Beijing Municipality, and the ‘Letter and Visits Bureau of the State Council’ at the national level.<sup>57</sup> These offices are also responsible for letters written by ordinary citizens to government officials, another possible channel. Shi notes that writing a letter is more risky than simply visiting the complaints office, but also more effective. More attention is paid to letters, which must be registered, but may be sent anonymously.<sup>58</sup>

Letters can also be written to the editors of newspapers, especially to newspapers attached to government organizations or to the Party. Each such newspaper has a ‘Masses Work Office’ to handle letters, with members of this office traveling around the country to investigate issues raised in letters. Letters raising pertinent issues are summarized by the ‘Masses Work Office’ and sent to central authorities. Xinhua and other news agencies have daily internal publications reporting the information contained in these letters to the authorities. These publications are a major source of information for top-level leaders. Hence, Shi says, writing letters to the editor is an important way for people in China to participate in politics and one of the ways in which they can influence policy formation.<sup>59</sup>

<sup>54</sup> Shi, *Political Participation*, 51.

<sup>55</sup> Shi, *Political Participation*, 55.

<sup>56</sup> Shi, *Political Participation*, 58–60.

<sup>57</sup> Shi, *Political Participation*, 60.

<sup>58</sup> Shi, *Political Participation*, 63.

<sup>59</sup> Shi, *Political Participation*, 64–66.

The revolution in electronic media that includes cell phones, the Internet, and social media has introduced a completely new element to the relationship between citizens and their government. Though this change is more urban than rural at present, its extension to the countryside is surely only a matter of time. The Chinese government is extremely sensitive to public opinion; government officials recognize that their mandate to govern is tenuous and the population they govern potentially rebellious. As a matter of survival, the Chinese government keeps itself extremely well informed about what ordinary citizens are thinking and, once they have it, takes such information very seriously.

Strikes and the courts are also important means of citizen participation in the political process. Shi says that the right to strike was written into the 1975 constitution by Mao, because he regarded strikes as resulting from bureaucratism within the Party; the clause was removed after his death. However, strikes have not been made illegal.<sup>60</sup> Strikes in large numbers and of growing scale have been occurring in various provincial cities in recent years and work slowdowns are a widely used tactic across the country. Where multinational companies are concerned, workers have, of late, employed various strategies with great skill, winning higher wages and better working conditions as a result.

Shi points out that corrupt officials have been sued in China since ancient times. Currently, officials charged with graft and corruption are brought before the courts, and private citizens also go to court to sue representatives of the state in cases where there are disagreements over contracts.<sup>61</sup> In my view, the extent to which ordinary citizens are beginning to use the courts is a real indication of progress in their empowerment – despite the fact that, in resolving disputes among themselves, they utilize this avenue of recourse to excess and badly, on occasion.

One other aspect of the political system as it currently exists is very important, in my view: the National People's Congress (NPC), mentioned above. I will deal with it very briefly. Western scholars have long regarded the NPC as an institution without

<sup>60</sup> Shi, *Political Participation*, 71–77.

<sup>61</sup> Shi, *Political Participation*, 83–84.

much validity – its members merely as conferring a “rubber stamp” on issues predetermined by Party and government leaders. However, as time goes by, the NPC, like everything else in China, has been subject to change.

As Andrew Nathan points out, the NPC took its first steps towards greater independence as an institution in the late 1980s. Nathan cites several instances of abstentions, spoiled ballots and refusals to ratify legislation, the first in 1986. Of these, the best known examples are the one-third of NPC members who failed to approve the building of the Three Gorges Dam in 1992, and the abstentions, spoiled ballots and opposed votes to the election of Jiang Chunyun as vice-premier in 1995.<sup>62</sup> In China, this was seen as a big step forward from an institution in which only a few years earlier all votes were ratified by a unanimous show of hands.

Obviously, however, the structure is deficient, if we are considering not progress achieved but rather a desirable vehicle to assure greater democracy. Nathan suggests that the chief need is separation of the NPC from Party control. He says that this change is at the heart of specific proposals made by Chinese scholars, though it is implicit rather than explicit.<sup>63</sup> One obvious suggestion is reducing the number of NPC delegates from the presently unwieldy 3,000 (figures between 700 and 2,000 have been recommended) and lengthening NPC sessions.<sup>64</sup> Improvements to the election process have also been proposed. At present, lower levels of the NPC are directly elected, but higher levels are elected indirectly.<sup>65</sup> It is also the case that the functioning of the NPC reflects ‘loosening’ and ‘tightening’ in the overall political environment; in ‘tight’ periods the powers of deputies are drastically curtailed.

I noted above that He Baogang quoted Lucien Pye emphasizing the centrality of unity and holding the national community together in Asian conceptions of governance. I find it interesting that Andrew Nathan also quotes from Pye a statement with which he

<sup>62</sup> Nathan, *China's Transition*, 233.

<sup>63</sup> Nathan, *China's Transition*, 233.

<sup>64</sup> Nathan, *China's Transition*, 233–234.

<sup>65</sup> Nathan, *China's Transition*, 237.

says that many Chinese agree, but he does not. Pye's view is that in Chinese political culture there is "...an intolerance for conflict, a yearning for authority, and a stress on personal loyalty..."<sup>66</sup>

Nathan feels that not only is this incorrect as a description of the past but that at present the Chinese people have benefited from the Cultural Revolution in being less willing to accept authority, and from social and economic development in becoming better informed and more interested in politics.<sup>67</sup>

Faced with a transitional reality that is extraordinarily complex, I believe these tendencies coexist. On the one hand, I agree especially with the view that economic development has brought overwhelming change to post-reform China, manifesting itself most strikingly in greatly increased social diversity. For good and bad, reforms and the market economy brought with them the break-up in every possible direction, for every layer and segment of society, of the terrible rigidity of the past. I would argue that it could have been done differently and better – at the very least, it should have been done more slowly. But the sheer fact of society's present diversity is heady, intoxicating stuff; it is also a factor that makes it possible to think of a China heading towards greater democratization. On the other hand, as regards the relationship between leadership and led, I believe that there is a prevalent and powerful strand in Chinese thinking that pushes some theorists, and some members of the Chinese population, in the direction of accepting 'resilient authoritarianism' – one way of describing the current governance philosophy. I will deal with this concept below.

I would like now to turn to selected additional frameworks, apart from 'the mass line', within which the relationship between leadership and led has been elucidated by contemporary scholars. I have chosen these frameworks in an effort to illustrate the subtle, multilayered quality that, to my mind, pervades the relationship. In particular, these frameworks show not the flexibility that the government is willing to provide, but the cleverly improvised scenarios that the people are able to create. The first, another

<sup>66</sup> Lucian W. Pye, *The Dynamics of Chinese Politics* (Cambridge, MA: Oelgeschlager, Gunn and Hain, 1981), 198, quoted in Nathan, *China's Transition*, 69.

officially acceptable framework, follows on from ‘the mass line’ and concerns a new way of conceiving the relationship between leadership and led that emerged as a result of economic reform.

## **Framework 2: State and Civil Society**

In the late 1980s and into the early 1990s, spurred by *glasnost* and *perestroika* in the former Soviet Union, the fall of the Berlin Wall, the collapse of communist regimes in Eastern Europe, and profoundly affected especially by the 1989 events in China, sinologists, in particular American sinologists, developed a voluminous literature that attempted to utilize ‘public sphere’ and ‘civil society’ concepts in the Chinese context. In response, a Chinese literature developed, in which Chinese intellectuals and ‘intellectuals-in-exile’, those who left the country after June 4, 1989, pursued the civil society debate initiated by Western sinologists.

The Chinese discussion of civil society issues, according to Ma Shuyun, began in 1986 with an article examining the issue of ‘townspeople’s right’, a concept derived from Marx. Defining ‘townspeople’s right’ as a right of equal exchange of commodities, it argued that in a market economy, this right should be available to all townspeople. ‘Townspeople’ should be seen as including bourgeoisie and proletariat. However, mistranslation of the German term in Marx so that it became ‘*zichanjieji quanli*’ in Chinese, referring only to the rights of the bourgeoisie, had led to the confusion of ‘townspeople’ with ‘bourgeoisie’, legal market exchanges with bourgeois exploitation, and ‘townspeople’s society’ with bourgeois society.<sup>68</sup> The clarification noted in Ma’s article represented a significant advance since it rescued the concept of civil rights, previously rejected due to its supposedly “bourgeois nature.”

Successive papers reminded readers that while the law guaranteed civil rights, citizens also had duties; civic awareness under socialism was based on collectivism, not

<sup>67</sup> Nathan, *China’s Transition*, 70.

on individualistic bourgeois democratic consciousness. A variant of this view claimed that individuals were the basic component of society but that society created and perfected its citizens; citizens must develop civic awareness and subordinate their individual interests to the public good. A more daring view held that individualism was the legitimate basis of civic awareness and that there could be no meaningful collectivity unless individual rights were fully recognized. China was based on a mass society; ‘mass’ connoted subordination to rulers whereas the Western concept of citizen was associated with individual rights and equality.<sup>69</sup>

Overall, the emphasis in this discussion was on developing a modern citizenry as the first step towards the formation of a civil society, which, while recognizing individual rights and freedoms, would act in harmony with the state. This view was sufficiently conservative that it was written into a 1986 Party Committee “Resolution Concerning the Guiding Principles of the Socialist Spiritual Civilization Construction” which, according to Ma Shuyun “stated that the Party should promote legal knowledge among the people in order to strengthen socialist civic awareness.” Taking up the challenge, in 1988 a team of writers from the NPC, the Central Party School, the State Administration of Industry and Commerce, Beijing’s High Court, and various academic institutions published a *Handbook for Citizens (Gongmin Shouce)*. The 560-page volume dealt with “democracy, rule-of-law, citizens’ rights and duties, public ethics, social discipline, public security, family and heritage laws, rules concerning foreign affairs or foreign nationals, crime and penalty, and rights protection.”<sup>70</sup> The handbook clearly distinguishes “socialism with Chinese characteristics” from institutions such as “universal suffrage, parliamentarianism, a multi-party system, judicial independence and equality of law,” which are described as being “capitalist in nature,” an interpretation which was certainly not the view of the scholars who contributed to the original discussion.<sup>71</sup>

<sup>68</sup> Ma Shu-yun, “The Chinese Discourse on Civil Society” *China Quarterly* 137 (1994): 180–193, 183–185.

<sup>69</sup> Ma, “The Chinese Discourse on Civil Society,” 183-185.

<sup>70</sup> Ma, “The Chinese Discourse on Civil Society,” 185-186.

<sup>71</sup> Ma, “The Chinese Discourse on Civil Society,” 186.

The view among expatriate intellectuals of the period called for the formation of a civil society that is autonomous and detached from the state, largely influenced by the success of this model in Eastern Europe. They saw the beginnings of such development in the increasing independence of social organizations, such as private enterprises, universities, newspapers and magazines, trade unions, and churches. Decentralization of power to localities, thereby institutionalizing regional interests, and increasing geographic mobility of the population were creating horizontal networks, undermining the central government's vertical control mechanism. Replacing old-style Communist leaders with intellectuals, strengthening the private economy and de-politicizing state enterprises would consolidate the process.<sup>72</sup>

Some expatriate intellectuals, however, expressed concern that the civil society model lies outside the Chinese tradition, thus reinforcing an existing anti-traditionalist trend among Chinese intellectuals. In their view, Chinese modernization should be based on the society's history, which is collective and Confucian. Su Xiaokang, author of the script for the controversial television series *River Elegy*, responded to this position by pointing out that in independent clan, religious and trade associations, which existed prior to the Communist regime, are to be found indigenous shoots of civil society, making it not an exclusively Western concept. He suggests that civil society is forming in China through the filling of social "crevices" by traditional clan, religious and underground forces. The illegal Triad Society, he holds, performed an "indispensable function...acting as a counter-weight to the establishment." He refers to an official report stating that there were at that time (1991) more than 1,800 illegal secret societies in China, the largest ones with memberships exceeding 10,000.<sup>73</sup>

They control land, farm prices and sales of agricultural products in many villages; organize tax revolts; practice usury; establish underground military and law enforcement crews; and smuggle people, guns and drugs.<sup>74</sup>

<sup>72</sup> Ma, "The Chinese Discourse on Civil Society," 188.

<sup>73</sup> Ma, "The Chinese Discourse on Civil Society," 188-189.

<sup>74</sup> Ma, "The Chinese Discourse on Civil Society," 189-190.

Ma concludes that where domestic theorists saw a harmonious civil society in which the state remained involved, the expatriate group overwhelmingly favoured a push for autonomy. Some, however, also pointed out the dangers of anarchy and fragmentation if autonomy did not also include an emphasis on civility and rule of law.<sup>75</sup>

The Chinese debate, outside as well as inside the country, was of obvious significance in its day. The domestic discussion of the issues as reflected here was official, and therefore cautious; however, the desire to delineate a position that reflected citizens' aspirations in a changing social and economic environment while not being completely at odds with the state was, in my opinion, genuine. The expatriate view was important because of its tendency to filter back into the country and exert influence. This remains the case.

My reason for citing this debate currently is that it represents an advance on 'the mass line' framework, by providing a more sophisticated, yet still officially acceptable analysis that allowed for the emergence of a Chinese civil society. Developing in the context of an increasingly diverse economic system, it was a view of the relationship between leadership and led that better suited the times.

### **Framework 3: 'Institutional Parasitism'**

This framework is derived from the experiences of urban intellectuals, but the strategies delineated here have implications for the whole society. The role of intellectuals in China has always been complex and contradictory; it has also always, in some fashion, been played out in juxtaposition to state power and provided moral leadership.

In the wake of the Cultural Revolution, older intellectuals and "educated youth" were sent from the cities to the countryside in large numbers, to be re-educated through manual labour and a new understanding of the life of China's millions of peasants. Given that Mao's apparent intention was to curb the power of intellectuals, whom he had always

<sup>75</sup> Ma, "The Chinese Discourse on Civil Society," 192–193.



distrusted, the move had an ironic and unintended consequence. Using post-Tiananmen interviews conducted with expatriate intellectuals as evidence, Michel Bonnin and Yves Chevrier suggest that intricate friendship networks formed in the harsh realities of this new life, based on personal relationships and shared political ideals, began to exert a profoundly significant influence. They continue to do so to the present day. In politically conservative periods, the networks shrank to the private relationships on which they were based; when the atmosphere was more liberal, they gave rise to important public associations and ventures.<sup>76</sup>

One of the first such associations was formed during the 1978 – 1979 ‘Democracy Wall’ movement. It involved a group of young writers sent together to the countryside who had kept up links with friends in Beijing. The group published *Jintian (Today)*, China’s first non-official literary magazine. While it did not mention politics, its purpose was “to write in a different manner and to introduce new attitudes”<sup>77</sup> from the point of view of society, rather than the state. The movement was allowed to continue as long as it served the political purposes of one faction of the Chinese leadership; when it exceeded the permitted bounds, it was suppressed. Similarly, the magazine flourished for a time under protection of the power elite, but was shut down with the ending of the 1979 movement. However, the group remained intact, putting out an underground bulletin and keeping a low profile.<sup>78</sup>

Another example of such group activity was the famous ‘big character poster’ (*dazibao*) on socialist democracy and the legal system put up in Guangzhou in 1974 by the Li Yizhe group. The poster stemmed from an informal study group formed at the time of that year’s movement, launched by the Party, to criticize Lin Biao and Confucius. This group included not just intellectuals but local officials and party cadres who joined the private discussions. The group was both protected and used by high officials who were part of a southern faction critical of certain policies associated with Mao Tse-tung.

<sup>76</sup> M. Bonnin and Y. Chevrier, “Autonomy During the Post-Mao Era,” *China Quarterly* 123 (1991): 569–593, 573-574.

<sup>77</sup> Bonnin and Chevrier, “Autonomy During the Post-Mao Era,” 574.

<sup>78</sup> Bonnin and Chevrier, “Autonomy During the Post-Mao Era,” 574.

In the reform period, starting in the late 1970s, intellectuals and their organizations began once again to achieve a greater degree of social autonomy. Intellectuals could organize associations and express new ideas within limits; they were not to infringe on the Party's prerogative of exercising complete power in the political realm.<sup>79</sup>

In the early 1980s, four men who had been "sent down" together to the countryside formed the 'Study Group on Problems of Chinese Rural Development', which concluded that China required drastic rural reform. After their return to Beijing, they carefully sought political backing, eventually finding it in the son of a prominent central government official. This man shared their interest and joined the group; subsequently, it played a role in planning the rural reforms actually carried out in China during the 1980s. Ultimately, the group's members were incorporated into the high-level policy drafting process and became part of the official structure.<sup>80</sup>

In May 1988, the renowned physicist Fang Lizhi, together with his wife Li Shuxian and several Beijing University students, future leaders of the 1989 democracy movement, announced the establishment of the 'Democracy Salon' (*minzhu shalong*), the first group to declare itself as an independent, public, and overtly political association. Rather than depending on elite sponsors to help them operate privately and informally within the system, the 'Democracy Salon' group opted for direct confrontation, mitigated only slightly by their positioning inside an academic institution. Fang's initiative violated the unwritten agreement that intellectuals would stay out of politics, but to many intellectuals that agreement had been breached by the government a year earlier when Hu Yaobang, the intellectuals' champion, was dismissed from his position as General Secretary of the Chinese Communist Party, supposedly for his inability to deal effectively with student protests in 1986.<sup>81</sup>

<sup>79</sup> Bonnin and Chevrier, "Autonomy During the Post-Mao Era," 569.

<sup>80</sup> Bonnin and Chevrier, "Autonomy During the Post-Mao Era," 575.

<sup>81</sup> Bonnin and Chevrier, "Autonomy During the Post-Mao Era," 580.

While further confrontation would take place on a vast scale in 1989, the more usual pattern was the one described above, involving informal, unofficial collusion between intellectuals and government mentors, based on private friendships. The intention was to achieve a social or political goal shared by the participants that was not a part of government policy at the time, and might even be in direct contradiction to it, through bringing the issue into debate and achieving policy change. Most astonishing, to my mind, was the fact that government and Party officials, as private individuals, often out of personal conviction, were prepared to conspire with intellectuals to bring about these various social and political ends. The resulting relationship between state and intellectuals was, as in the past, ambiguous. This pattern was one which applied before the 1989 events and again afterwards.

With the introduction of economic reforms, the structure of Chinese society became far more complex. New organizations emerged both inside and outside state bodies; private or part-private part-government business ventures were formed, and there were new employment opportunities that were not dependent on state structures.

In this liberal environment, intellectual associations and ventures could proliferate openly. Intellectuals were affected by the changes, as were all sectors of the society; some intellectuals even left positions in the state sector for jobs in the private sector or to start their own enterprises. Most, however, managed to keep the security of their state sector employment while spending increasing amounts of time as paid advisors to the new ventures.<sup>82</sup> As government attempted to deal with modernization, it also required advice from intellectuals on issues across a broad spectrum; this was true of all levels of government, from the highest-level Party and government bodies through middle and lower levels. Associations of all kinds were formed for this purpose, some official, others semi-official or private. It was possible for these associations to link horizontally, and through seminars and conferences which also included foreign academics, to engage in wide-ranging discussion.<sup>83</sup>

<sup>82</sup> Bonnin and Chevrier, "Autonomy During the Post-Mao Era," 576–577.

<sup>83</sup> Bonnin and Chevrier, "Autonomy During the Post-Mao Era," 577.

Associations were of several different types. Those with the greatest degree of autonomy were *minjian* or non-governmental associations. These associations did not have institutional links to the state except that each required a ‘tutelage unit’ in order to be registered. In the best circumstances, the association was financially independent and its sheltering unit agreed from the outset to keep the relationship purely formal. Other associations were organizationally linked with official bodies but could take advantage of the new privatization, being subject to looser state controls and less interference than the parent body. Thus, academic institutions created research associations, which set up research groups, the latter freest from outside constraints. On occasion, official bodies provided backing for *minjian* newspapers and research institutes as well, as was the case with the ‘World Economic Herald’ and its sponsorship by the Shanghai Academy of Social Sciences. Research groups or institutes were also established under central Party organs; these allowed a few well-connected intellectuals to influence policy-making directly, outside conventional Party channels and orthodoxy.<sup>84</sup>

Possibilities for intellectual activity also grew more diverse through becoming entwined with business ventures; setting up a research group or newspaper or editing a book collection in conjunction with private interests allowed an academic body to remain financially viable while state funding was gradually withdrawn.<sup>85</sup>

Intellectual life was enlivened during this period through greatly enhanced access to ideas in printed form. In the past, the State General Publishing Administration, a state-run monopoly, had tightly controlled publishing. State-owned companies did all publishing; all manuscripts had to be approved and then given an official registration number. Without such a number, manuscripts could not be officially published or distributed. With the economic reforms, small, private publishers appeared, together with a non-government distribution network, motivated by the desire to earn a profit. If a manuscript were controversial, unlicensed, illegal printers and distributors would be used; if deemed ‘safe’, an official registration number might be purchased from a state

<sup>84</sup> Bonnin and Chevrier, “Autonomy During the Post-Mao Era,” 580–581.

<sup>85</sup> Bonnin and Chevrier, “Autonomy During the Post-Mao Era,” 583.

publishing house, though trade in registration numbers was illegal.<sup>86</sup> The publications of these small companies were primarily pulp magazines featuring sex, violence, crime, fashion, martial arts, but not politics. However, the companies also offered a publication channel for serious books and for literary journals carrying “literary reportage”: articles that portrayed the “dark side” of Chinese society for the first time in twenty years.<sup>87</sup> These articles discussed previously forbidden topics such as China’s underclass, prison conditions, and official corruption. They also printed materials originally published as Party internal documents: critiques of past policies, unfavourable foreign views of China, and unflattering material on leaders who were out of favour.<sup>88</sup>

The new publication channel was tolerated only as long as the material it published did not offend Party leaders. If it did, there were attempts to shut down specific publishers and the vast distribution network of outdoor bookstalls. Most such efforts failed, or were successful only temporarily, due to the demand for such information and the huge profits to be made through this kind of publishing.<sup>89</sup> Similar changes took place somewhat later with regard to other media, such as television.

In his 1994 book, ‘The Decline of Communism in China’, X.L. Ding describes the intricate strategies by which intellectuals put together and funded these “quasi-voluntary” organizations. In doing so, he develops the concept of “institutional parasitism” to describe how, as above, rather than developing separate institutions, new associations operated under the shelter and with the financial support of official organizations.<sup>90</sup> Ding cites the outstanding accomplishments of such organizations in linking intellectuals across the country, providing settings and funding for social research

<sup>86</sup> Orville Schell, *Mandate of Heaven: A New Generation of Entrepreneurs, Bohemians, and Technocrats Lay Claim to China’s Future* (New York and London: Simon and Schuster, 1994), 293–296.

<sup>87</sup> Schell, *Mandate of Heaven*, 297.

<sup>88</sup> Schell, *Mandate of Heaven*, 299.

<sup>89</sup> Schell, *Mandate of Heaven*, 303.

<sup>90</sup> X.L. Ding, *The Decline of Communism in China: Legitimacy Crisis, 1977-1989* (Cambridge: Cambridge University Press, 1994), 72, 27.

and forums for wide-ranging discussion of new and often controversial ideas.<sup>91</sup> Since he is writing within the broad context of China's transition from communism, however, Ding sees these associations as carrying out "oppositional activities," whereas I prefer to view them as a highly innovative form of accommodation between leadership and led. I find Ding's work most interesting in his detailed descriptions of how such arrangements between the new associations and official organizations (referred to above as 'tutelage units' and by Ding as 'supervisory official institutions') were carried out:

First and foremost, the initiator needed to find a *guakao danwei*, which means "an official unit on which a nonofficial unit depends" and which can be roughly translated as "a supervisory official institution." Under state regulations, the head of such a supervisory organization was to be politically responsible for all activities of the affiliated voluntary institution; if the latter made political troubles, not only were its members punished, but the head of the supervisory institution was punished as well. Understandably, few heads of official institutions were willing to form a relation with voluntary institutions. To find someone willing to accept that relation, the initiator of the voluntary institution needed to call on networks of personal connections as well as to go through innumerable procedures.

Second, core members of the voluntary institution needed to find material resources, such as money, offices, and equipment, to support themselves, usually by combining illegitimately used resources of their official home unit (see further for details); by exchanging "cultural capital," such as influence and reputation, for financial support from enterprises; by engaging in profitable businesses; and by collecting funds from official institutions with attractive joint venture-like projects.

Third, many voluntary institutions solicited ranking officeholders or OIs [Independent-minded Official Intellectuals] and leading scientists to be their honorary leaders and advisors, for the appearance of legitimacy.

Finally, the initiator of the voluntary institution had to find suitable personnel to staff it. In China, even the most dedicated individuals were reluctant to quit their jobs in official or semi-official bodies to work full-time for unofficial ones. For nobody could be sure how long an unofficial organization would survive. Working for an unofficial body provided the opportunity to fulfill one's long-time ambitions, but keeping a name on the list of state employment provided socioeconomic security that could include regular wages, personal and family health insurance, subsidized housing, and retirement benefits. Therefore, most officials of unofficial

<sup>91</sup> Ding, *Decline of Communism*, 71.

organizations were state employees, who, in the words of a popular Chinese saying, “pick up pay envelopes from the state and work for somebody else.” Only a few voluntary institutions could afford to hire full-time employees.<sup>92</sup>

‘Institutional parasitism’, in my view, demonstrates the extent to which the boundaries between ‘leadership’ and ‘led’ can be infringed – implicitly, with both sides complicit in the process – so that each party is able to achieve its goals, perhaps not fully, but to a satisfactory degree.

## **Framework 4: A ‘Mixed Regime’**

Here, I will propose as a final framework within which to view the relationship between leadership and led, the concept of a ‘mixed regime’ put forward by He Baogang in his 2007 book *Rural Democracy in China*. This concept combines ‘resilient authoritarianism’ on the side of the leadership with the possibility of rural democracy on the side of the people. As He Baogang notes, he derived the term ‘resilient authoritarianism’ from a 2003 article of that title by Andrew Nathan. In the article, Nathan describes the surprise with which “many China specialists and democracy theorists – myself among them” greeted the fact that the Chinese Communist Party-led regime did not collapse following the crisis of 1989. He states: “Regime theory holds that authoritarian systems are inherently fragile because of weak legitimacy, over-reliance on coercion, over-centralization of decision making, and the predominance of personal power over institutional norms. This particular authoritarian system, however, has proven resilient.”<sup>93</sup>

<sup>92</sup> Ding, *Decline of Communism*, 52, 66–67.

<sup>93</sup> Andrew J. Nathan, “Authoritarian Resilience: China’s Changing of the Guard,” *Journal of Democracy* 14 (1) (2003): 6-17, 6.

## *Rural Democracy*

### **‘Policy-based Resisters’**

I will first examine the matter of increased democracy for the rural population. Reform did not bring change only to urban China. In a 1996 article entitled “Villagers and Popular Resistance in Contemporary China,” Li Lianjiang and Kevin O’Brien report on research done in twenty-two villages in three provinces between 1992 and 1994. Their thesis is that villagers are employing “policy-based resistance” to press their “legitimate rights and interests.”<sup>94</sup> Based on their experiences in the villages, they identify three types of villagers whom they label ‘compliant villagers’, ‘recalcitrants’, and ‘policy-based resisters’.<sup>95</sup> To me, it is the latter group that is of interest. The authors contend that villagers of this type use laws, policies and regulations to control the behaviour of local officials and ensure that they are kept accountable. These villagers are willing to obey laws and policies but only those that are actually on the books. They are determined that local cadres will not behave improperly and that they will carry out to the letter any policy that is to the villagers’ benefit. The authors speculate that this attitude may derive from villagers’ experience with the household responsibility system and the fact that they have become accustomed to the contractual relationships it involves.<sup>96</sup>

According to the authors, villagers in the surveyed villages go to great lengths to become sufficiently knowledgeable to challenge their local officials:

Before acting, policy-based resisters typically identify policy violations by local cadres (Interviewees 3, 5). To become more knowledgeable adversaries, they may subscribe to newspapers and magazines, read cadre work style manuals, listen to radio broadcasts, watch television news, or gather stories of successful resistance from villagers returning from other places (Cheng Tongshun, 1994; Interviewee 17).<sup>97</sup>

<sup>94</sup> Li Lianjiang and Kevin J. O’Brien, “Villagers and Popular Resistance in Contemporary China.” *Modern China* 22, (1) (1996): 28–61, 29.

<sup>95</sup> Li and O’Brien, “Villagers and Popular Resistance,” 32.

<sup>96</sup> Li and O’Brien, “Villagers and Popular Resistance,” 40.

<sup>97</sup> Cheng Tongshun, “Dang qian Zhongguo nongmin de zhengzhi canyu” (“Current political participation of Chinese peasants”), (unpublished master’s thesis, Department of Political Science, Nankai University, 1994), interviewee 17, quoted in Li and O’Brien, “Villagers and Popular Resistance,” 40.



Li and O'Brien also claim that villagers are becoming militant in their insistence that village elections be conducted fairly. They cite a township in Liaoning where cadres controlled nominations and did not permit secret balloting; villagers, they say, persisted with their complaints until they were finally able to get them adjudicated in Beijing, reciting the articles of the 'Organic Law of Villagers' Committees' and using it to back their petitions. (Tian Yun, 1993; Interviewee 15)<sup>98</sup>

Protests are not limited to policies which local cadres are implementing, whether well or badly. 'Policy-based resisters' are also, the authors say, aware of central government policies which would be to their advantage but which are not being implemented. They use these policies, as well as other policies that may be out of date but which they still find useful for improving their position. In this sense, they are striving for the empowerment that will allow them to control not decisions irrelevant to their lives, but significant everyday decisions. Is the government giving them the quantities of seed and fertilizer it is supposed to supply so that they can produce a contracted crop? Do local taxes and levies exceed what government regulations say is allowable? Are local leaders corrupt, incompetent, or oppressive? If so, can they be gotten rid of? And as some cadres exploit central government policy ambiguities, resistant villagers have learned to do the same. An example of the former is the laws and regulations limiting "peasant burdens," which had been concealed in some areas. An example of the latter is applying exaggerated Party propaganda of the past, with its emphasis on the dedicated, selfless leader, to evaluate contemporary village cadres.<sup>99</sup>

Most significant, the authors suggest, are the cases of villagers who have perceived that central government documents can be used to argue that villagers' assemblies should become a kind of lowest level people's congress and that villagers should be able to elect village party secretaries as well as other village cadres.<sup>100</sup> This is,

<sup>98</sup> Tian Yuan, "Zhongguo nongcun jican de minzhu zhilu" ("The pathway to grassroots democracy in rural China"), (*Xiang zhen luntan* 6:3-4, 1993), interviewee 15, quoted in Li and O'Brien, "Villagers and Popular Resistance," 43.

<sup>99</sup> Li and O'Brien, "Villagers and Popular Resistance," 44-46.

<sup>100</sup> Li and O'Brien, "Villagers and Popular Resistance," 44-46.

the authors say, “a way to pursue their interests within existing channels and to open avenues of participation that few power holders at any level of government could have foreseen.”<sup>101</sup> They see these villagers as expecting equal and fair treatment from cadres and viewing central policy as “a potential source of entitlement, inclusion, and empowerment.”<sup>102</sup>

I cite this research – despite doubts on my part as to how representative it is – because it illustrates in such an interesting fashion the possibility for rural citizens, too, to introduce flexibility, complexity, and mutuality into the existing system. I agree with He Baogang’s response to similar questions from sceptics questioning his estimate of the importance of rural elections. In 2004, he notes, there were 652,718 villages in China and approximately three million village officials, with an average village consisting of about 382 households.<sup>103</sup> Even if a democratic advance affects only one percent of the rural population, given the number of villagers involved, it is significant.<sup>104</sup>

### **Village Elections**

He’s central thesis is that democracy in China will come about from the bottom up, in the institutionalization of rural democracy through village elections. He argues that since the first experiments with elections by Guangxi villagers in 1979 and the promulgation of the ‘Provisional Organic Law of Village Committees’ in 1987, “about 600 – 900 million rural people have experienced semi-competitive elections.”<sup>105</sup> He points out that

...rural China is the source of Chinese civilization and the foundation of Chinese society and state. If democracy is possible in rural areas, it will be impossible to make a persuasive argument against the democratization

<sup>101</sup> Li and O’Brien, “Villagers and Popular Resistance,” 46.

<sup>102</sup> Li and O’Brien, “Villagers and Popular Resistance,” 53.

<sup>103</sup> He Baogang, *Rural Democracy in China: The Role of Village Elections* (New York: Palgrave Macmillan, 2007), 2.

<sup>104</sup> He, *Rural Democracy in China*, 3.

<sup>105</sup> He, *Rural Democracy in China*, 1, 3.

of urban China. In China, it is likely that a vibrant, effective, and meaningful democracy can be built only from below and from within...<sup>106</sup>

I find at least part of this view strongly convincing, since I believe developing democracy is a long, slow process that, whether urban or rural, can, indeed, only proceed from the grass roots level. He Baogang himself shares any doubts I have; he points out that positive results are very scattered thus far. Change will take time.

### ***‘Resilient Authoritarianism’***

I would now like to turn to the other side of the equation: ‘resilient authoritarianism’. Simply put, this position holds that an authoritarian state anticipates and accommodates its citizens’ demands as required in order to stay in power, yielding as little authority as possible in the process. Instituting village elections was itself an instance of this ‘resilience’.

In the Andrew Nathan article previously cited, Nathan attributes the resilience of post-1989 Chinese governments to the fact that they have been able to institutionalize several important aspects of governance. The process of leadership succession is “less factionalized, more regularized” and, in his view, this has produced “a competent leadership group that has high morale; that is politically balanced in representing different factions in the Party; that lacks one or two dominant figures, and is thus structurally constrained to make decisions collectively....”<sup>107</sup>

As part of changes in the leadership succession process, there has been “an increase in meritocratic as opposed to factional considerations in the promotion of political elites.” This has generated rules, which, Nathan suggests, appear to have elite support and may outlast a single instance of succession.<sup>108</sup>

A third area of institutionalization has to do with the “separation of Party and government” and the “separation of Party and enterprise.” In Nathan’s view, this process,

<sup>106</sup> He, *Rural Democracy in China*, 3.

<sup>107</sup> Nathan, “Authoritarian Resilience,” 11.

<sup>108</sup> Nathan, “Authoritarian Resilience,” 6 - 7, 11.

though proposed and abandoned as policy in the late 1980s, has taken place in recent years in the course of a natural evolution towards a more modern state. The result is a useful and efficient division of responsibilities and spheres of authority, giving the regime “increased institutional complexity, autonomy, and coherence....”<sup>109</sup> Finally, he notes: “The regime has developed a series of input institutions (that is, institutions that people can use to apprise the state of their concerns) that allow Chinese to believe that they have some influence on policy decisions and personnel choices at the local level.”<sup>110</sup>

Writing in 2003, Nathan felt that the Chinese government of the day still faced challenges and that its survival could not be predicted with certainty. However, he notes: “What we can say on available evidence is that the regime is not supine, weak, or bereft of policy options.” Making a comparison with the ruling groups in the Soviet Union and Eastern Europe in the late 1980s and early 1990s, he concludes that “the new Chinese leaders do not feel that they are at the end of history...these leaders think they can solve China’s problems.”<sup>111</sup>

What Nathan only alludes to in his article is covered in depth in David Shambaugh’s 2008 book *China’s Communist Party: Atrophy and Adaptation*. Here, Shambaugh argues that it was the sudden, catastrophic demise of the former Soviet Union that propelled the Chinese Party into an era of flexibility that has resulted in ‘resilience’. In a thought-provoking chapter dealing with the Chinese government’s internal assessment of the 1989 events in China, the 1989 – 1991 events in the Soviet Union and Eastern Europe, as well as the ‘colour revolutions’ in the former Soviet republics, Shambaugh documents the discussion within the CCP during a period of intensive research undertaken by the Party “in an attempt to “reinvent,” rescue, and relegitimize itself...” Like Nathan, Shambaugh emphasizes that the Party was neither despairing nor passive during this period, but rather decisively engaged, a phenomenon he believes went

<sup>109</sup> Nathan, “Authoritarian Resilience,” 11 – 13.

<sup>110</sup> Nathan, “Authoritarian Resilience,” 14.

<sup>111</sup> Nathan, “Authoritarian Resilience,” 15.

largely unnoticed in the West.<sup>112</sup> He quotes Li Jingjie, “one of China’s most well-respected and astute analysts,” the director of the former Soviet-Eastern Europe Institute at CASS (the Chinese Academy of Social Sciences) as telling him in a 2003 interview that:

The collapse is the most important development that has affected the internal and external development of China. It shocked both our leaders and intellectuals...Our leaders are still, to this day, trying to understand implications and lessons, so that they don’t make the same mistakes as Gorbachev...

In 2004, at a joint U.S. - China conference, Li observed:

...the collapse of the USSR was the inevitable collapse of the CPSU [the Communist Party of the Soviet Union]. It was the CPSU that collapsed first. CPSU leaders did not understand economics and they steadfastly avoided reform because they dogmatically believed in their model. The CPSU never renewed itself and did not adapt with the times. From the Stalin era on, the CPSU became too dogmatic....<sup>113</sup>

Writing much earlier, in 1992, Li listed eight lessons that he felt China should learn from the failures of the Soviet Party:

1. Concentrate on productivity growth.
2. Be ideologically flexible and progressive – there is no set model for a socialist society.
3. Learn from the advancements of capitalism, and particularly practice an “open door” policy.
4. Seek not only to strengthen the comprehensive power of the state but also, more important, the material living standards of the people.
5. Correctly implement democratic centralism, expand inner party democracy, and carry out the struggle against corruption.
6. Treat intellectuals fairly.
7. Fully comprehend the complexity and fundamental causes of ethnic issues and tensions, ensure equality and the right of self-determination to all ethnic groups, and expedite economic growth as the fundamental way to

<sup>112</sup> David Shambaugh, *China’s Communist Party: Atrophy and Adaptation* (Berkeley: University of California Press, 2008), 41, 103.

<sup>113</sup> Li Jingjie, comments at the conference “Analyzing the Collapse of the Soviet Union: Chinese & American Perspectives,” May 31 – June 1, 2004, Beijing, quoted in Shambaugh, *China’s Communist Party*, 76 – 77.

solve ethnic tensions; but recognize the danger in implementing political pluralism in a multiethnic region.

8. Begin reforms in the economic realm but also carry them out in other fields – including the political realm.<sup>114</sup>

Li's is only one of several analysts' 'lists of lessons' Shambaugh provides, and I find it instructive to note the intelligence and perspicacity of the observations and the extensiveness of the consultation process, as well as to consider what passed into policy and what did not.

In describing lessons learned that apply to the Party specifically, Shambaugh finds Party analysts listing "the problem of corruption"; "improving the cadre management system" to make it "more merit-based and "scientific"; the need to "strengthen grassroots party cells and organizations"; to "establish a collective leadership and a consultative decision-making system, and not to allow power to be concentrated in the hands of the few"; "the need for improved inner-party democracy"; "control of the media"; and, finally, "the conclusion that European-style social democracy should be avoided at all costs."<sup>115</sup>

In two subsequent, equally detailed chapters, Shambaugh describes the actions taken by the Party over an extended period to implement these lessons, carrying out unprecedented reform both ideologically and practically, and in the process "strengthen[ing] and rebuild[ing] the party apparatus from top to bottom."<sup>116</sup> This Party reform process appears to me to have had a hugely significant role in inspiring governments capable of 'resilient authoritarianism'.

I would next like to consider briefly the issue of how the resulting confidence to which Nathan refers, the feeling of leaders "that they can solve China's problems" has translated into recent government policy. What balance does the current government strike between its authoritarian predilections and the actions required to make it 'resilient'?

<sup>114</sup> Li Jingjie, "Historical lessons of the Failure of the CPSU," *Sulian yu Dong-Ou Wenti*, No. 6 (1992): 1 – 12, quoted in Shambaugh, *China's Communist Party*, 76.

<sup>115</sup> Shambaugh, *China's Communist Party*, 80 – 81.

<sup>116</sup> Shambaugh, *China's Communist Party*, 127.

Willy Wo-Lap Lam in his book, *Chinese Politics in the Hu Jintao Era*, offers an intriguing gloss on that question, beginning with essential background. As we saw earlier, among the ways in which analysts such as Li Jingjie saw that China must change if Communist governments were to continue to hold power, a fundamental one was accelerated economic development, the primary concern of leaders such as Deng Xiaoping and Zhu Rongji. Lam points out that by the time ‘fourth generation’ leaders (Hu Jintao and Wen Jiabao) attained positions of leadership, the ‘revolutionary legitimacy’ that had sustained their predecessors had “worn thin.” Jiang Zemin, a ‘third generation’ leader, had achieved status by being directly selected by Deng Xiaoping as his successor. The Hu-Wen administration, on the other hand, was compelled to a much greater degree to base its right to govern on popular support. This meant that satisfactory economic performance, unaccompanied by service to the public, was no longer a sufficient goal by which to measure a fourth generation government’s achievements.<sup>117</sup>

The Jiang Zemin era had a significant influence on its successor regime, Lam suggests, in the form of ‘The Theory of the Three Represents’, which holds that the Party “must represent the foremost production forces, the most advanced culture, and the broadest interests of common people.” This theory elevated the status of entrepreneurs, managers, and other professionals, since it could be claimed that they represented high levels of productivity and culture. They were now said to be among the “new classes,” including the middle class, and the theory justified consideration of members of these classes for Party membership, and ultimately for senior Party and government positions. Even capitalists were to be included. Thus, Lam concludes, the CCP became a “party for all classes and all people, a *quanmindang*.”<sup>118</sup>

In a sense, he feels, ‘the Theory of the Three Represents’ laid the groundwork for what was to become the central emphasis of the Hu-Wen administration’s program – *yiren weiben*, “putting the masses first.” Where Jiang emphasized the first two of the ‘three represents’ and could be viewed as favouring the “privileged classes,” Lam credits

<sup>117</sup> Willy Wo-Lap Lam, *Chinese Politics in the Hu Jintao Era: New Leaders, New Challenges* (Armonk and London: M. E. Sharpe, 2006), 32.

the Hu-Wen team with realizing that they could utilize an adept “strategic modification” of Jiang’s theory to focus exclusively on the “third represent” – the overall interests of the broad masses. At the 16<sup>th</sup> Party Congress in 2002, the government stated as its aim “a comprehensively well-off society by 2020.” And Lam quotes Zhu Rongji as having stated also in 2002: “When you are talking about one single issue that causes me the worst headaches, that topic is how to increase the income of Chinese farmers.”<sup>119</sup> Again, as was the case with village elections, solving the problems of the ‘disadvantaged groupings’ (*ruoshi tuanti*) was a matter of necessity, a further example of ‘authoritarian resilience’.

Lam considers the Hu-Wen program decidedly praiseworthy, nonetheless. It included “improving welfare standards for the working and farming classes; narrowing the gap between haves and have-nots, and promoting some degree of social justice as well as mobility; and expanding the power base and “recruitment pool” of the CCP.” There must no longer be an obsession with GDP growth only; education, public health, the environment, and respect for the law must also be priorities. There must be “economic and social development that is comprehensive, well coordinated, and sustainable” as well as “development that has [the welfare of] human beings in mind.” Equally, Hu believes in new “scientific” models for reform and development” and in “thought liberation and keen innovation,” advocating that cadres “ceaselessly search for new ideas, new approaches, and new methods for solving problems.”<sup>120</sup>

In Lam’s view, while agreeing that Hu appears moderate and even liberal, most central to his makeup is his long history as a Marxist and a CCP cadre “who is convinced that he owes it to the Party to do all he can to ensure the survival and viability of its dogma, and especially, the CCP’s ruling status...” Although Hu spent fourteen years in Gansu and shorter periods in Guizhou and Tibet, thus having a greater than usual understanding of the problems of ordinary people, Lam believes that his outlook was definitively shaped by his six years at Qinghua University, where he was successively

<sup>118</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 36.

<sup>119</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 67 – 68, 44.



model Youth League member, Party member and, following graduation, Political Instructor. He sees Hu and Wen as “relatively cautious, “within-the-system” reformers” who, though promising to “put the people first” and create “a harmonious society” also intend to “balance the needs of [the Party’s] self-preservation...with the requirements of reform.”<sup>121</sup>

In an intriguing section entitled “the Search for a Perennial Mandate of Heaven,” Lam details government efforts, beginning in 2001 – 2002, through the Central Party School and the Chinese Academy of Social Sciences to research political parties in other countries that had managed to remain stable and in power over a long period. This research was carried out as an aspect of the leadership’s responsibility to reform and build the Party, as outlined earlier. The parties surveyed included:

The Liberal Democratic Party of Japan, the People’s Action Party of Singapore, the United Malay National Organization of Malaysia, the Institutional Revolutionary Party of Mexico, the Labour Party of Canada [sic], the National Democratic Party of Egypt, and the Constitutional Democratic Rally Party of Tunisia.<sup>122</sup>

According to Lam, the research concluded:

...democracy was not a prerequisite for a party’s staying power, particularly for countries with Confucianist traditions such as Japan and Singapore. However, survivability criteria common to most of these parties included the appearance – if not also the substance – of serving the common people, an efficient administration that is relatively incorrupt and good at quickly defusing socio-political crises, and an ability to nurture a relatively broad-based, pro-establishment class.<sup>123</sup>

On the question of political reform, Lam sees the two leaders as being as conservative as Deng or Jiang and far from the more progressive views of Zhao Ziyang or Hu Yaobang. He quotes Wen as stating in mid-2004: “because China is big and populous and because development is uneven, we can only have direct elections at the

<sup>120</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 38 – 39, 42, 43.

<sup>121</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 13, 35.

<sup>122</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 38–39.

<sup>123</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 39.

village level.” However, the idea he sees as a new insight on the part of the two leaders is that “the CCP administration can still be super-efficient and scientific in not just economic development but attending to the needs of the people.”<sup>124</sup>

Thus, while the government is willing to grant only very limited democracy, it intends to be “clean, accountable, and law-abiding.”<sup>125</sup> Lam quotes Wu Jinglian, a well-known liberal scholar as pointing out in 2003 that the country’s goal must be “an open, transparent, and service-oriented government that should be answerable [to the public].”<sup>126</sup> To achieve this goal, the Hu-Wen government would improve the quality of the cadres (government officials) by gradually introducing a Western-style civil-service system, though Lam notes that the view of what it means ideologically to be ‘a good cadre’ has remained pretty much unchanged through the socialist period.<sup>127</sup> A guiding government principle is that it should engage in “scientific decision-making” – analyzing the country’s situation and pinpointing potential areas of difficulty. Lam quotes President Hu Jintao as having stated in March 2003 that:

The leadership collective must have a cool-headed awareness of China’s conditions...We must boost our awareness of [possible] troubles and disasters...We must positively address various risks and challenges...We must lower the adverse impact of unfavourable circumstances to ensure stable development and [national] security...We’ll succeed if we can forestall problems, otherwise we may fail.<sup>128</sup>

Writing in 2006, Lam’s assessment of the Hu-Wen government’s accomplishments to that point yields a “checkered report card.”<sup>129</sup> On the positive side, he counts improvements in administration such as new evaluation criteria for cadres that stress environmental protection and “humanistic consideration for the overall welfare of the populace under an official’s jurisdiction” and not merely

<sup>124</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 45.

<sup>125</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 48.

<sup>126</sup> Wu Jinglian, “Build up an open, transparent and responsible government”, *Caijing*, June 20, 2003, quoted in Lam, *Chinese Politics in the Hu Jintao Era*, 48.

<sup>127</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 48–49.

<sup>128</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 46.

economic growth; wide consultation with think tanks, senior academics and professionals - “According to an academic who has advised Hu, the party chief and president’s desk is always piled high with papers submitted to him by officials and scholars nationwide”; an emphasis on “administration according to law.” Officials must do their work within the law; citizens can sue officials who breach relevant regulations.<sup>130</sup> In the area of improved social justice for farmers, Lam cites steps taken to recognize the legal and political status of migrant workers; efforts to extend the social security net (including *dibao*) [‘Minimum Livelihood Guarantee’] from the cities to the villages; the abolition of rural taxes and levies, liberalizing the *hukou* [residence registration] system, setting up “social sustenance systems,” helping poor children with education subsidies. Lam adds that because of the numbers involved, improvements in these areas can only be gradual.<sup>131</sup> Where workers are concerned, he notes that the Hu-Wen administration is the first to consider reducing unemployment and creating new jobs as a “major political task” and he credits Premier Wen as being the first top-level leader to stand up for the rights of migrant workers in the cities by insisting in 2003 that employers nation-wide pay arrears in wages before the workers returned home for Spring Festival.<sup>132</sup>

However on the central issue of *yiren weiben*, putting the masses first, Lam has reservations; there is still a very long way to go if the *yiren weiben* goal is to be met. For example, farmers continue to support the costs of rural governments from the village to the county level, especially the salaries of local officials; this serves to vitiate much of any benefit accruing from the new measures. Furthermore, lacking real democracy and accountability, it is difficult for the government to be well informed on the true state of the nation. Lam observes that intellectuals and government consultants agree, emphasizing the

<sup>129</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 102.

<sup>130</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 44, 46, 48.

<sup>131</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 74, 80 – 81.

limits of top-down consultation.<sup>133</sup> Most of all, in Lam's view, farmers and workers are not adequately represented at the senior levels of the Party, government, or the National People's Congress. Bodies such as '*nonghui*', "organizations of political participation [by peasants] for the purpose of communication and consultation with the government," and similar workers' organizations, are not revolutionary or anti-government and should, Lam feels, be encouraged, not stifled.<sup>134</sup> To Lam,

The crux of the matter regarding *ruoshi tuanti* is empowerment. The lot of the politically outgunned peasants, *nongmingong* [migrant workers], and workers will never be improved until they have the wherewithal – especially mechanisms for organizing themselves – to bargain effectively with the "new elite" running China, that is, the "unholy alliance" between cadre-mandarins and nouveau riche entrepreneurs.<sup>135</sup>

### ***A 'Mixed Regime'***

I will return now to He Baogang's concept of a 'mixed regime'. This view is that China's current government system mixes authoritarianism with "limited democratic elements...Democracy is employed to strengthen the party's domination through elections, deliberation, and the rule of law."<sup>136</sup> He argues that

...The mixed regime can be seen as a complex social control mechanism, a strategy of balancing democracy and authority, and a special political form of government. The idea of the mixed regime describes a complex system with a greater degree of reality so as to avoid simplistic judgment. This idea can assist appreciation of China's complex political system and provides a theoretical framework enabling us to grasp the changed and changing nature of China's regime at the local level.<sup>137</sup>

<sup>132</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 91, 97.

<sup>133</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 59.

<sup>134</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 85, 88.

<sup>135</sup> Lam, *Chinese Politics in the Hu Jintao Era*, 103.

<sup>136</sup> He, *Rural Democracy in China*, 222–223.

<sup>137</sup> He, *Rural Democracy in China*, 223.

He Baogang arrives at this conclusion after an analysis of the extensive existing literature on village elections, as well as on the basis of his own first-hand research. He suggests that some previous research has not taken village elections with the requisite degree of seriousness, and that his work, as a single-authored book on this topic, is the first of sufficient length to address the issue in “a systematic and comprehensive way.”<sup>138</sup>

He adds

It should be made clear...that the various democratic aspects of village governance examined in this book are distributed unevenly and that there are many variations and differences between villages. Democratic elements in each village are limited.<sup>139</sup>

The strength of the ‘mixed regime’ framework is that it rests on a careful and finely detailed account of the interplay between government intentions and the realities among citizens at the grassroots. An effort to deal with actual “results on the ground” is crucial here.

## Summary

These frameworks offer various ways of viewing a complicated relationship – the relationship between leadership and led in China. As such, each framework illuminates an aspect of the whole. In my view, ‘the mass line’ still applies, though not often in its ideal form. When my Chinese colleague referred to the Yuhu cooperative as ‘a cooperative with Chinese characteristics’, her next comment was that its management system represented simply ‘the government way of doing things’ – the ‘mass line’. However, I have also tried to show that there are many avenues, largely unknown in the West, that render this system somewhat participatory. The ‘state and civil society’ framework shows that in China, a form of civil society that includes the state rather than being separate from it does exist. I argue that this framework conceives the relationship between leadership and led in a fashion better suited to the reform period. “Institutional

<sup>138</sup> He, *Rural Democracy in China*, 6.

<sup>139</sup> He, *Rural Democracy in China*, 6.

parasitism' demonstrates a blurring of lines between leadership and led, an implicit collusion that allows much to be accomplished while manoeuvring around, but not exceeding, the bounds of official sanction. In "loose" periods, it thrives; in 'tight' periods, it does not disappear, but shrinks and is less evident. And, as just stated, I see the 'mixed regime' framework as attempting a realistic description of a sophisticated modern government and a possibly beginning-to-democratize Chinese countryside.

It has been the thrust of this chapter to contend that the relationship between leadership and led is not just implicit in many respects: it is also *complicit*. At present, at least, the led are willing accomplices in accepting the role that is offered them. Yet what makes the relationship fascinating is its extraordinary diversity and complexity, its dynamic and infinitely multi-layered quality. It is fascinating to me to see how many changes can be rung on the general theme of leadership and led in specific situations so that, in the end, something workable emerges and both sides are, if not completely happy, at least able to go usefully about their business. This is not to argue, of course, that more democracy is not utterly necessary and in the long run, inevitable.

## **Chapter 8.**

### **Conclusion**

#### **Participation**

In this chapter, I will consider to what extent the Chinese cooperatives dealt with in this thesis can be considered participatory, and in what manner the participation occurs. I argue that there are differences as regards this issue among the cooperatives formed in the three periods examined in the thesis – the 1940s, the 1990s, and the one example that represents the contemporary period. I base this discussion on the material presented in Chapter 7 and in Appendix 1, in which I believe I have demonstrated that ‘democracy’, the basis for cooperative management, is a culturally mediated concept that is understood, explained, justified and experienced differently in China and Canada. Within this concept is located a subset of related concepts such as equality, flexibility of roles, demonstrations of support, and modes of communication – all occurring differently in the West and in China. In particular, in my view, the leadership – led model presented in the thesis illustrates the complex manner in which one mode of participation expresses itself in China.

#### **Equality**

I will start from that point. The CRS Workers’ Cooperative, discussed in some detail in Appendix 1 and offered as an example of Canadian cooperatives, is far from being a representative Canadian workers’ cooperative. In that sense, its choice was, perhaps, unfair, but as noted, I chose it deliberately to represent the best that a cooperative could achieve based on international cooperative principles. ‘Democracy’

comprises many aspects, and it seems evident to me, as it did to CRS members, that the aspect grounding Canadian cooperatives is the principle of equality, central to the way democracy is viewed in the Western context. In Chapter 7, I argue that, in the view of Chinese scholars, equality did not form part of the traditional Chinese view of democracy. In more recent times, they saw equality as having surfaced in an egalitarian, ‘populist’ form of democracy and in liberalism, but they do not see it as appearing in the current philosophy of Chinese governance.

I intend this to be a practical discussion, and I intend it to be brief, since I presented the theoretical arguments in the previous chapter. I would like to turn now to the issue of equality as it arose at the Lijiang Cooperatives Management Workshop conducted by CRS member Gao Hongzhi in 1995. That day was devoted to the Bakery ‘Cooperative’; the members were present as well as the leaders, which in our experience had not happened before. Members of the bakery differed in level of education (some had a senior middle school education, some a junior middle school education, and some had attended primary school); in ethnicity (they were from different national minorities); and in place of origin (some were from Lijiang, some not). Only three members knew each other before they began to work in the bakery.

The members would not have spoken in front of their leaders, but, as we have seen in Chapter 5, Gao had anticipated this problem and asked them to write their questions on slips of paper. Each question, once read to the group, provoked lively debate, but the question most relevant here was, “What should the bakery do, because their products were good, but their prices appeared to be too high?” Gao had already told the group that workers’ self-management meant that workers decided issues together. In order to make decisions together, people needed to spend time getting to know each other well. Shy people had to be encouraged to learn to speak out. Knowledge was important, because the decisions workers made must be informed decisions – and knowledge should be shared. If some people had knowledge and others did not, there should be teaching or changing jobs, so that everybody could learn.

In response to the pricing question, Gao replied that the advantage of a cooperative is that everyone can do research on their customers and pool their



information. Gao suggested that each member get the opinions of twenty people from among their friends and neighbours. This suggestion was vastly unpopular; no one thought that the people they knew could provide any useful information whatsoever, even though, as Gao pointed out, these were precisely the people who would buy their products. They surely knew best how much they would be willing to pay for them! The members' view, from which they simply could not be dissuaded, was that we should bring a marketing expert from Canada to help solve their problem. We felt this incident indicated that they had not grasped concepts fundamental to a cooperative – that members are equals, equally worthy of respect, that they possess information and wisdom when they pool their knowledge, that cooperatives look first to what members can do themselves, and only as a matter of necessity appeal to outside experts.

Adding to our disappointment, Mu Jiao, Head of the Lijiang Cooperatives Association, also attending the workshop, gave his opinion on the matter of changing jobs. It would be all right, he thought, for members with a senior middle school education to change jobs but not for those with a junior middle school education. (He himself had attended primary school briefly but had achieved status as Baisha Township Head and now as Head of the Lijiang Cooperatives Association.) In this position, Mu Jiao had decisive influence over the small cooperatives. He had gone to Canada as a member of the Chinese research team; he had visited CRS Workers' Cooperative and had long discussions with members there. He considered himself a seasoned cooperator and a proponent of cooperatives. Needless to say, we had expected more of him.<sup>1</sup> What I have just described is one instance of a frequently recurring problem. For example, it was, as noted, very difficult to meet ordinary cooperative members; no one seemed to understand why we would want to. My research colleague in Yuhu would not arrange for us to meet villagers who did not have some special position; his view was that if they weren't leaders, they didn't know anything, so why bother interviewing them? And when I suggested to an urban friend that I felt younger people needed to be given authority commensurate with their responsibilities, he said they wouldn't want it anyway. The

<sup>1</sup> Author's Field notes, 1995, (these notes cover Lijiang visit May 7-30 and Beijing visit May 30–June 4, 1995), 26–28.

whole point was to push responsibility upward, so that if any mistake was made, your leader would be responsible, not you. Leaders were supposed to lead; that was their job. Indeed, it is the centrality of the concept of leadership in Chinese society that is in direct conflict with cooperative principles, in my view.

Thus, as I will suggest below, I believe that cooperative members achieving this view of each other as capable equals is not a given, but requires a learning process. In the 1990s, we were not able to create conditions that would allow this process to take place. But despite cultural assumptions militating against it (for example, Mu Jiao's view that senior middle school graduates are automatically more capable than junior middle school graduates), through educating members, I believe that an understanding of member equality could have been, and can be, achieved.

## **Modes of Participation in the Cooperatives of the Three Periods**

### ***The Gung Ho Cooperatives***

I wish now to proceed to the matter of member participation in management in the small cooperatives of these three periods. In my view, and this was also the position of the Chinese team member who researched this question in the 1990s, the degree of workers' participation in the 1940s *Gung Ho* cooperatives was exceptional. Though Goullart organized some of them from the top, some began bottom-up as groups of people already working together who applied to Goullart for assistance. As we saw with the Chiwen Leather Cooperative, some cooperatives began with members who, having escaped an oppressive boss, wanted to work in a cooperative fashion. And *Gung Ho* was not a government organization, despite its government ties. It clearly and openly espoused international cooperative principles, as did Goullart. Hence, I would argue that the 1940s Lijiang cooperatives probably differed one from another as to whether they were participatory or dependent on a strong leader. As I noted, Goullart appears to have left internal decision-making in the cooperatives pretty much up to their members, interfering only when he feared that poor management might jeopardize repayment of a

loan. On the other hand, he was available to provide help when it was requested, thus fulfilling the responsibilities of a good cooperative organizer. This meant that considerable member participation was a possibility in cooperatives whose members preferred to operate that way. However, it is important to keep in mind that these were wartime cooperatives, founded to enable poor people to survive. He Jiazuo, the *Gung Ho* Elder who pointed out that, “If you had a very democratic cooperative, but couldn’t sell your products, then its being democratic wouldn’t help” was certainly correct, in my view – particularly in the circumstances of the time. A CRS member quoted in Appendix 1 says much the same thing when he states, “If we fail as a business, then we certainly fail as a co-op.”

### ***The 1990s Cooperatives***

The motivation for starting a cooperative is, as pointed out in Appendix 1, undeniably important. In the 1940s, there was no question but that the *Gung Ho* cooperatives were established to solve problems of poverty. In the case of the 1990s cooperatives, though both Canadian and Chinese teams hoped that they might serve as a replicable vehicle for poverty alleviation, I think that the motivations of some of the individuals who actually initiated the cooperatives were considerably more complex – for example, taking advantage of favourable government policies including subsidies and tax breaks; using and enhancing relationships; profit. Another part of the motivation was, I believe, simply a matter of carrying out government policy, as directed from above. Thus, in the final analysis, the Lijiang Cooperatives Association, *minjian* (non-governmental) or not, was a top-down government organization, while Mu Jiao acted in a manner to be expected of one type of local official.

We did ask ourselves at the time whether another person in Mu Jiao’s position might have acted differently, and if that might have affected outcomes in our project? As we saw, Mu Jiao did not have the work-style of either a good cooperator or an ideal leader within socialist praxis; he could not be said to have carried out the ‘mass line’ at its best. The Cooperatives Association Headquarters might have functioned quite differently had Mu Jiao been able to conceive his relationship with his staff, and the organization’s relationship with the small cooperatives, differently. Also, might a

convinced cooperator have found ways around the system – exemplified by the ‘institutional parasitism’ framework – and using the central organization’s *minjian* status, taken it in a more cooperative direction? In my view, the answer to both questions is ‘possible, but difficult’. As above, I think Mu Jiao’s views were derived from those of the county leaders, who, with a few exceptions early in the project, agreed on a large-scale development plan for Lijiang that required substantial funding. This was, in turn, a provincial plan, as well. Small cooperatives with minimal financial backing did not have a place in this plan. However, a network of small ecotourism cooperatives in remote villages, had we been able to fund it, might well have been sustainable and successful.

Nonetheless, within the context as described, though the 1990s cooperatives were heavily influenced by a leadership – led model of relationship among members, they also demonstrated potential for achieving a higher degree of participation had the Cooperatives Association been set up to nurture it. I see evidence for this tendency in Hongwencun, where members ceased operations to discuss together how to resolve the cooperative’s problems; in Wenhai, in the real sharing of decision-making among its leadership group; in the bakery, which, though it never became a cooperative, had a membership that fought to hold an election; in the Plum Processing Cooperative, where He Hong appeared genuinely to espouse cooperative philosophy.

### ***The Yuhu Ecotourism Cooperative***

The Yuhu Ecotourism Cooperative, I think, is an example of the ‘mass line’ in action when it functions well. There are, as we saw, different views as to the degree of its excellent functioning, but agreement that, in the stage of the cooperative’s formation, villagers’ views were extensively polled and conscientiously considered. In addition, the impetus for establishing the cooperative came from villagers themselves, and it was at their instigation that the cooperative embraced all village households equally. Thus, there was a strongly participative component in the cooperative’s founding, even though it was subsequently formed top-down by the village government and managed by a group that had the same membership as the party committee and the village committee. And it is the case, in my view, that within the leadership – led model, in this instance, villagers were able to make their views known. I believe that the village leadership continued to

gather villagers' opinions and did not act counter to them. What I find especially interesting is that the Yuhu Ecotourism Cooperative demonstrates, to my mind, the complexity of which the leadership – led model is capable. I did not stay in the village long enough to explore many crucially influential factors in village life – kinship, for example. But I realized that between extended kinship relationships; the extensive relationships that existed through the many *huacuo*; other village groupings such as 'the Elders' Association', the 'Women's Association', and the soccer club; and chance meetings through bumping into a leader on the street, or dropping in on him at home, there was not much likelihood that, as a villager, you could not make your views known if you wished to. Similarly, leaders have many avenues for discovering what villagers think – if they want to. Hence, I believe there exists the possibility of quite extensive participation within this model.

But there is a catch. It takes a good leader to make this work; some leaders have the will, and the necessary qualities, to be good leaders, but others don't. More important, what gets lost in this model is the active participation of people sitting face-to-face and making decisions together, empowering people at the bottom as well as those at the top. It allows for veto power, rather than the expression of new ideas. My research colleague Sui Qiang justified this by saying that probably leaders would have the same ideas, but, of course, this is not necessarily true, and in any case, it misses the point.

## **Participatory Rural Appraisal (PRA)**

As a fascinating addendum regarding this issue, I twice had the opportunity to be a participant observer in weeklong Participatory Rural Appraisal (PRA) workshops. The first one involved a privately funded poverty alleviation project in four Yunnan villages – two villages with a Dai national minority population and two with a Jingbo national minority population. The purpose of the PRA workshop was to bring together villagers with their leaders to design the plan villagers wanted to adopt to ameliorate village poverty. The second workshop intended to assist Wa national minority villagers to resolve a sensitive village issue. Their village was Christian, with a large number of HIV/AIDS infected inhabitants. HIV/AIDS was a taboo subject in the village; anyone

suspected of having HIV/AIDS was ostracized and discriminated against, to the extent of not being permitted to attend the village church. From the viewpoint of HIV/AIDS education, as well as to assist villagers living with HIV/AIDS, the PRA workshop hoped to bring the issue into open discussion and provide villagers with the tools to devise a solution. Both workshops were strikingly successful. I emerged from these experiences with a strengthened conviction that participation in this active sense – equal, face-to-face participation – can be learned, and taught.

## **Communication**

I wish now to close the circle, bringing this discussion back to the themes with which it began. Communication is the subtext, when it is not given explicit expression, throughout this thesis. In the 1940s, Goullart becomes *Gung Ho* ‘Likiang Depot Master’ only after his almost disastrous experience in Sikang, where he is taught the perplexing intricacies of cross-cultural communication with a very local Chinese officialdom. In Lijiang, he demonstrates his newly acquired skill through his understanding that the women who run the wine shops collect and disperse vital information and are persons of great influence. He also knows that the gestures of his cook in giving small gifts of food to the neighbours, and his own overtures in looking after people’s health, willingly offering a meal and a bed for the night, and traveling great distances to visit a friend once made, are all better ways of communicating his kindly intentions than any words he might utter. As a cooperative organizer, Goullart works with the small cooperatives initiated under his Depot with a lightness of touch that I consider the essence of good cooperative communication – helping when asked, interceding when his supervisory responsibilities required it, and wisely leaving well enough alone otherwise.

The expertise in cross-cultural communication we required to carry out collaborative research and interact with our YASS and Lijiang colleagues in the 1990s was more difficult for us to achieve than it had been for Goullart, since we did not have the luxury of lengthy and deep cultural exposure. The same was true for our Chinese partners and colleagues, who had to learn to communicate with us during our brief visits. I believe that our mutual success in this area, as illustrated in the thesis by various

instances of highly participative discussion and decision-making, is one of the outstanding achievements of the 1990s project. Another significant aspect of the project, as well as one of its delights, was that we were able to carry our cross-cultural exploration into the study of Naxi traditions and Naxi culture. That we were unable to communicate directly with most Naxi elders due to lack of knowledge of their language was more than compensated for by good interpretation, warmth, and friendliness.

The Yuhu Ecotourism Cooperative illustrates very nicely the intricacy of communication in a rural Chinese village, involving a multilayered network made up of kinship relationships, traditional and modern forms of association, as well as other less formal groupings. We also saw the many ways that people can communicate with their leaders using the institutions of village ‘mass line’ governance – the village committee, the villagers’ representative assembly, the nine village small groups – as well as casual encounters. In addition, village elections now offer villagers an opportunity to choose their leaders and provide another arena for the exercise of communication related to the management of village affairs.

## Memory

Two figures appearing in this thesis especially signify continuity and the power of memory. These are the two men mentioned in Chapter 1, who were known around Lijiang as the *Gonghe Laoren* – the *Gung Ho* Elders. I quote extensively from a 1992 interview with them when I consider the internal management of the *Gung Ho* cooperatives in Chapter 3. Both men appear here and there in Goullart’s reports: Goullart sends them, as youths, for training to the Shandan Bailie School in Gansu. He notes with consternation that one has had his money stolen during the trip and hopes he will arrive safely. One of them, from Goullart’s first weaving cooperative, received further training in weaving at Shandan, and Goullart notes in his Monthly Report of December 1948 that, on his return, he “initiated weaving of tasteful woollen mats and men’s scarves.” In the same report, Goullart notes that he has engaged the other “as Clinical Assistant as of

January 1<sup>st</sup>, 1949.”<sup>2</sup> One of them also writes a very eloquent letter in English from Shandan to Goullart in Lijiang, from which I also quote in Chapter 3, in the context of cooperative education. These men were very influential in bringing *Gung Ho* alive for Lijiang people in the 1990s. Both appeared at all important functions at the Lijiang Cooperatives Association Headquarters; they were made advisors and took their responsibilities seriously. These men came from a generation in which visiting Beijing, the nation’s capital, seat of history and culture, and once home to Chairman Mao, was a landmark event in the life of a person from the provinces. In the early 2000s, I secured an invitation from *Gung Ho* (ICCIC) for them to visit Beijing; most memorable from their point of view, aside from a long-desired photo in Tiananmen Square, was a ceremony in which ICCIC presented them with new *Gung Ho* badges, replacing the ones that had been taken from them in 1949. As can be imagined, this episode completed a historical circle in a profoundly memorable way.

## **Lijiang and the Naxi**

Sadly, the predictions of industrial tourism development for Lijiang’s future turned out to be correct. The form and extent of it, however, its sheer ugliness, signify a degree of insensitivity and a lack of intelligence that no one could have foreseen. Even so, my strongest objections are reserved for the usual outcomes of industrial tourism: I doubt that the results will be sustainable in the long term, and the profits have, for the most part, gone to outsiders. For the Naxi, the loss to tourism of the Lijiang Old Town, now a UNESCO World Heritage site, and of other locations significant in their traditional culture, such as ‘Suicide Meadow’ and ‘*Hei Shui, Bai Shui*’ (the confluence of the Black Water and White Water Rivers) has been deeply distressing. At the 2009 World Congress of the International Union of Anthropological and Ethnological Sciences held in Kunming, the provincial capital, Naxi scholars gathered in a five-day workshop on

<sup>2</sup> Lijiang Depot Monthly Report, December 1948, INDUSCO Files, 1938–1952, Box 16, *INDUSCO: CIC Correspondence; Fitch, George - Goullart, Peter*, Folders 18–22, Rare Book and Manuscript Library, Special Collections, Columbia University, New York.



Naxi language, traditions, and culture. Privately, among friends, many expressed great concern for the future of a valued cultural heritage.

## **Cooperation and Current Debates**

Before concluding this chapter, I want to make reference to current developments and a current debate on cooperatives and cooperation in China. In a brief Appendix 2, I provide information on what happened to the 1940s *Gung Ho* organizations, CIC and ICCIC, between 1949 and the present. As well, I note briefly the passing of a long-awaited Cooperative Law in 2007 and what it means. Here, the question I wish to discuss is “what are we willing to call a ‘cooperative’? Where, if anywhere, do we draw a line?” Must a cooperative be an entity that follows international cooperative principles, like CRS Workers’ Cooperative described in Appendix 1, or can it differ from that? If we decide it can, how, and to what extent?

This is an issue, just now, within ICCIC; it occurs in the context of the 2007 Cooperative Law and the wave of ‘farmers specialized cooperatives’ whose establishment that law facilitates. According to present ICCIC Chairman, Michael Crook, the organization’s membership is divided as to where individuals stand. Officially, the organization has adopted the Cooperative Development Ladder Assessment Tool, devised by the Canadian Cooperative Association (CCA) to measure a cooperative’s progress through various stages which end in its meeting all of the criteria set out in the international cooperative principles that are listed in Appendix 1. ICCIC has adapted this method of assessment to fit Chinese conditions and considers it a way of allowing a Chinese organization to be considered a cooperative while not yet having attained full cooperative status. Some ICCIC members agree with this position; some do not. In the view of some members, the organization should continue, without compromise, to base itself on the old *Gung Ho* principles. As we saw in Chapter 5, in 1995, Mu Jiao was already reporting this matter as having been raised at a Shanghai conference on cooperatives; there, participants suggested that *Gung Ho* principles were for the past and, “based on Darwinism,” should give way to the new.

I have pondered this issue over several years and much illuminating experience; I think the best means of conveying the result is through an example. In 2009, just prior to our Yuhu visit, my Chinese colleague and I travelled to a township in Ninglang Yi Autonomous County, which adjoins Lijiang County. We had an amount of money from a private donation available to us to fund small projects in rural Yunnan; we had been asked to visit potential projects in this township to see if we might be willing to give them money. The reason was that this township had been made a YASS responsibility in a new poverty alleviation initiative; such responsibilities had been apportioned out to various relevant government organizations.

At the same time, the government was seconding suitable young university graduates, newly recruited into government organizations, to become assistants to local officials for a one-year period. Under this policy, a young scholar from YASS had just become an assistant in the township we were visiting; his role was to help YASS carry out rural economic development. The thinking was that if we could fund a small project, it would give him credibility in villagers' eyes; at the same time, he could act as a part-time project advisor.

These circumstances brought us to a small village where we were to assess a pig-raising project. We visited several potential project households where pig raising was already going on in excellent conditions; the plan was to increase the scale of what currently existed. As we walked around the village with our hosts, we insisted on also seeing poorer village households not included in the proposed project; some of these households had a pig or two, others had none. None had the clean, well-constructed, obviously new sties of the comparatively well-to-do 'project' households.

The visit to this village constituted our first encounter with a farmers' specialized cooperative set up under the 2007 Cooperatives Law. The project leaders we met with had already submitted the required forms and confidently expected that their application would be approved. They showed us interim papers with an impressive array of chops. It was soon clear to us that this prospective 'project' could not qualify as a cooperative in any respect. The leaders, who were also the participants, were all close relatives; their

households made up the ‘cooperative’, and they were already conducting a profitable business – they simply wanted capital to expand.

My colleague explained that an enterprise could be organized in several different ways; a cooperative was only one of them, and not the most suitable in their case. She advised that they set up as a private company. However, we both knew perfectly well that there were financial advantages to them, in the form of subsidies and tax breaks, in qualifying as a cooperative. So – and this is the point of the story – we made a proposal. We would provide a certain amount of funding to their ‘cooperative’ if they, in return, would take in, as members, a specified number of the poorer households we had visited and help them with advice and labour power. We would fund the building of proper sties and add a ‘management fee’ to provide general assistance to their cooperative. This was a spur-of-the-moment decision, but it seemed obviously right to both of us. The leaders said they would discuss our suggestion and let us know; we were not surprised when we heard nothing further from them.

Thus, as in the 1990s when, as I have argued, the fact that there were financial incentives was a possible motivation in the founding of the small Lijiang cooperatives, so the situation is repeated in the present era. In the 1990s, it was the *minjian* (non-governmental) status of the Lijiang Cooperatives Association that provided the incentive; in this era, there is a direct financial incentive under the Cooperative Law to found cooperatives. This does not mean that all, or even many, farmers’ specialized cooperatives’ are ‘fake’; in a country as large and diverse as China, many may be quite genuine.

## **Conclusion**

I conclude on the subject of Chinese cooperatives, therefore, that I am willing to compromise in practice, but not in theory. In practice, in my view, cooperatives in rural China should and must, as a primary reason for their existence, assist poor farmers. I believe that this was at least part of the intention of the 2007 Cooperatives Law. Provided that they do that, they should be helped.

In theory, though my colleague spoke in jest when, in Chapter 6, she called the Yuhu Ecotourism Cooperative a ‘cooperative with Chinese characteristics’, I think that, with that phrase, she introduced an important distinction, one that should be preserved. The reason is that I believe the notion of a cooperative that follows international cooperative principles, engaging in active, face-to-face participation and democratic management by and for all members equally, should remain as an ideal to be aspired to in China, as elsewhere. I support a strongly held view among the Canadian team in the 1990s – that a cooperative, inasmuch as it inculcates a process, over time, can be a ‘school for democracy’.

I agree also with He Baogang’s view, quoted in Chapter 7, that we should expect many local “variations and differences” where village governance is concerned, being prepared to recognize “democratic elements” when they occur. I would add that, in my view, we should similarly construe the term ‘participation’, its modes and extent, generously and in a nuanced fashion,

In conclusion, then, I believe that the Lijiang 1940s *Gung Ho* cooperatives differed from one to another but that, given the possibility of their having started bottom-up, as well as the large degree of independence facilitated by Peter Goullart, some of them followed international – and *Gung Ho* – cooperative principles. The 1990s Lijiang cooperatives and the Yuhu Ecotourism Cooperative are classic examples of ‘mass line’ leadership – in other words, they exemplify versions of the leadership – led model. However, I have argued that, within this model, there exist many complex modes and extents of participation, which I also find present in the cooperatives of these two periods. Furthermore, in some instances, I have noted tendencies toward a more genuinely cooperative mode of participation. Throughout, it has been my intention to demonstrate that, like much else in China, cooperatives and their management relationships are characterized by a high degree of flexibility, diversity, and complexity.

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## **Appendices**



## Appendix 1.

In this Appendix, I intend to provide information relevant to the question, what is a cooperative as defined by cooperative principles? These principles have applied historically and internationally and embody the general understanding within the western tradition (heavily European influenced) as to what a cooperative should be. I will first set out cooperative principles then examine how they work, when they work optimally, in the context of a specific Canadian cooperative.

As stated in Chapter 1, the information in the Appendix is drawn from research on Canadian cooperatives primarily founded in the 1970s and written about in the 1990s – the period during which we were involved with Chinese cooperatives in Lijiang. As also stated in Chapter 1, I chose cooperatives founded in the 1970s because that was a time in Canada when cooperative convictions were strong and cooperatives were small – similar in scale to our Lijiang cooperatives. And because the thesis is centrally concerned with a Chinese-Canadian project, I chose Canadian cooperatives as representative of cooperatives following international cooperative principles. The specific cooperative I focus on, CRS (Consumer Resource Service) Workers’ Cooperative in Vancouver, was selected both for its excellence and because it, too, ties in with the content of the thesis. As already mentioned, Canadian team member and trainer at our cooperative management workshops, Gao Hongzhi, was a former worker at CRS Workers’ Cooperative. Also, as a workers’ cooperative, CRS represents the form of cooperation most relevant to the cooperatives dealt with in the thesis. I have never worked in a Canadian cooperative; my views are based on reading,<sup>1</sup> conversations with cooperators, and cooperative experience in China.

<sup>1</sup> This account is based on a study by Constance Mungall. Mungall visited and conducted interviews at sixteen workers’ cooperatives across Canada between 1984 and 1986, and her material consists largely of transcribed taped interviews. Of these, I have utilized the information she presents on nine cooperatives, including CRS Workers’ Cooperative, to provide this summary of the practical issues confronting small Canadian workers’ cooperatives in that period. Apart from CRS Workers’ Cooperative, for which I obtained much valuable information from the Master’s Thesis of Gao Hongzhi, the eight other cooperatives were: The Big Carrot Health Food and Delicatessen, Toronto, Ontario; Fiddlehead Restaurant, Thunder Bay Ontario; Wheat Song Bakery, Winnipeg, Manitoba; Wild West Organic Harvest Cooperative, Richmond, B.C.; Dreadnaught Publishing, Toronto, Ontario; Dumont Press, Kitchener, Ontario; Baseline Type and Graphics, Vancouver, B.C.; Richply Plywood, Richmond, B.C. The oldest of these cooperatives was founded in 1956, the most recent in 1982; most were founded between 1970 and 1978. I read other material on the period as well, but it is not directly relevant to my present purpose.

I will begin with a simple statement of cooperative principles formulated contemporaneously with the cooperative experiences on which I have based this account. At the end of the Appendix, I will add the current “Statement on the Cooperative Identity.”

## **Cooperative Principles**

A cooperative is owned and democratically controlled by its members.

The Six Principles of Co-operation:

1. **Open membership**  
Membership is voluntary and not restricted by race, age, etc.
2. **Democratic control**  
Each member has one vote, regardless of number of shares.
3. **Share capital receives a limited rate of return**
4. **Profit belongs to the members**  
Members may decide to use it for development, services, or distribution.
5. **Member education**  
Members are informed so that they can exercise real control over the cooperative.
6. **Co-operation among co-ops**  
Co-ops are committed to working with other co-ops.<sup>2</sup>

Since I believe that it is in their day-to-day arrangements that successful cooperatives are made, I will organize this discussion around a number of pertinent practical issues related to the cooperative principles listed above. How is it possible to achieve members’ democratic control in a cooperative, at the same time ensuring economic sustainability and operation at a reasonable scale?

## **Practical Issues**

### ***The Cooperative’s Origins***

Several things seem important: the beginning of the cooperative should be a shared experience. Ideally, the people who will be the worker-members, at least some of

<sup>2</sup> “Renewing Community Power: Building Co-operative Movement,” *The Moment*, Jesuit Centre for Social Justice and Co-op Atlantic, 7.1 (1993): 1.

them, should come together and mutually make the decisions that get the cooperative started. They should have a clear purpose and an articulated set of goals. It is best if they really want to start a workers' cooperative and not some other kind of organization. They should either be dedicated to the work they are doing or dedicated to working in a cooperative. It helps if they have spent time planning and anticipating problems before they start out and are well organized from the beginning.<sup>3</sup>

CRS started in 1971 as a resource group to start consumer cooperatives selling natural and organic food. Eventually, members named their larger business 'Horizon Distributing'; a second, smaller offshoot was a bakery, 'Uprising Breads'. At the beginning, the cooperative started with volunteer labour, people on unemployment insurance and people on government grants who contributed some of it to help capitalize the business. (This was "sweat equity" – people living on almost nothing and contributing their wages to the co-op.)<sup>4</sup>

### ***Funding***

The evidence seems to suggest that cooperatives do better when their members have provided most of the funding and the cooperative does not start with large external debts. This makes sense from a business point of view, but that is not the primary consideration. More important seems to be the question of ownership. In particular, cooperatives that are funded through government grants seem to have trouble. They often display passivity that would not have existed had the money at risk been contributed by cooperative members. Money is one component of commitment and participation. Starting with what you have and developing as you have the means is a formula that seems to work. Obviously, there are things that cannot be done without reasonably large amounts of money. However, the success stories involve a building of credibility and community support to the point where more extensive financing becomes possible.

CRS had funds from government grants of about \$100,000 over three years, but this covered salaries not capitalization, so the cooperative depended on people voluntarily

<sup>3</sup> Constance Mungall, *More Than Just a Job: Workers Cooperatives in Canada* (Ottawa: Steel Rail Publishing, 1986), 32-34.

<sup>4</sup> Mungall, *More Than Just a Job*, 32–34; Gao Hongzhi, "CRS Workers Cooperative: A Case Study in Cooperative Evolution and Survival" (Unpublished Master's Thesis, Simon Fraser University, Vancouver, 1993), 9, 47–48, 16.

putting their wages back into the cooperative to capitalize it. After that first three years, the cooperative became and remained self-supporting.<sup>5</sup>

### ***Members' Shares***

This is a vital issue for workers' cooperatives. Almost all cooperatives require that members make a financial contribution, however small, as a condition of membership. The question is whether the contribution is equal or unequal and particularly whether the power derived from share ownership is equal or unequal. It seems very clear that one-member one-vote is the single most essential cooperative principle in terms of ensuring democratic self-management.

A problem related to the initial financial contribution by members is what happens to the share when the member leaves? And what happens when a new member wants to buy in? Even in a very good cooperative, members can have a sense of unfairness that a new member should be able to join a now successfully operating cooperative, having missed the years of hard work and sacrifice, and attain membership for the same financial contribution that the original member made. For this reason, some cooperatives allow the buy-in contribution by new members to reflect a share's market value; others don't. At CRS, members each had a share worth \$100. These were just nominal. Otherwise, workers took nothing if they left.

In 1993, they were talking about changing the system:

...so that if you stayed a number of years, you'd get a greater part of the net profits. This would be an incentive to stay, and it is important that people stay because of the knowledge they accumulate and their whole understanding of the business...When people left, they would take their share, but someone else would come along to put in...<sup>6</sup>

A related issue is that while all shareholder-members should be workers, must all workers be shareholder-members – that is, should there be employees? And if there are employees, how are they to be treated? CRS had a few employees but avoided their use as much as possible. With a membership of approximately fifty-five, CRS had twenty-three employees on call. These workers were primarily used to fill in for members who were sick, on vacation, or at meetings.

<sup>5</sup> Mungall, *More Than Just a Job*, 35.

<sup>6</sup> Mungall, *More Than Just a Job*, 39–40.

CRS employees received the same salary and benefits as members; they had full participation rights, and equal access to information. The only right they did not have was the right to vote at meetings. They also had application priority when there were openings for new members. Many employees, however, were people who wanted to work only part-time.<sup>7</sup>

### ***Equal Pay/Job Rotation***

Most workers' cooperatives begin by paying the same amount to all member-workers, regardless of the work they do. Many also rotate jobs as much as possible so that everyone learns to do every job, and desirable and less desirable work is shared. If they get to the point of becoming larger and more successful, most cooperatives find that tasks become more specialized and need to be done by a specific person, and that slight differentials in rates of pay make sense. However, any pay differential must be democratically decided by members and should be something that everyone agrees to. That the membership try to find imaginative solutions while sticking close to cooperative principles is very important. For example, at CRS, when most jobs in the cooperative could no longer be rotated, workers still made sure that whichever task no one wanted to do was done by everyone in turn.<sup>8</sup>

### ***Management***

The question here is how do you get the management work done while retaining equality among members? Jobs involving management responsibilities are usually among the jobs rotated in the early days of the cooperative. If the cooperative expands to the point where a more formal management structure is required, it seems to work best if managers are democratically selected from among the membership – not brought in from outside – and are replaced at regular intervals by other members. Where possible, management people who still do some ordinary work find it easier to stay close to other members. However, when decisions become too numerous and highly specialized, that is not feasible. Among cooperative issues, this appears to be one of the hardest to get right.

At CRS, the administration looked after financial matters, advised the members and explained the realities of their financial situation. Generally a small group did the planning, but input was invited from everyone. Final approval was by the whole

<sup>7</sup> Gao, "CRS Workers Cooperative," 76–77.

<sup>8</sup> Gao, "CRS Workers Cooperative," 48–53.

membership, which met every two months. An elected board of the whole cooperative met weekly.<sup>9</sup>

### ***General Meetings, Consensus Decisions***

In small cooperatives, members are together all the time and can easily hold discussions, reach consensus and make decisions. Nonetheless, many of them still set aside a regular meeting time when members gather and decisions are made. In larger cooperatives, or when small cooperatives expand, it is more difficult for members to make decisions together in large meetings. However, if members don't continue to make the cooperative's important decisions in this way, they have lost the characteristic that defines a workers' cooperative. As Ron Hanson, managing director of CRS workers' cooperative in 1983 commented when asked if members ever missed meetings:

...You don't stay away from meetings – if people didn't come there would be – I don't know, something would happen, somebody would yell. It's considered very important...<sup>10</sup>

Cooperatives do tend to move away from consensus decision making as they grow larger, usually adopting a two-thirds majority rule. However, the better ones still try to achieve consensus on the issues that are most important to members.

Nothing I read or heard from cooperators compared to the creativity with which CRS approached keeping members fully informed and fully participatory as the cooperative expanded, membership grew, and issues became more complex.

In his thesis, Gao describes “kitchen meetings,” which he says were encouraged at CRS. Workers were not considered to be wasting time when they chatted with each other: indeed, they were paid to do so since it was considered part of their job. Discussion with others was the way new ideas were formed and tried out. I particularly liked the fact that there was a bell system to remind people that someone's work happened to require quiet at a particular time.<sup>11</sup> Gao notes that: “...people talking to each other would be a first impression for someone visiting CRS for the first time.”<sup>12</sup>

<sup>9</sup> Mungall, *More Than Just a Job*, 36.

<sup>10</sup> Mungall, *More Than Just a Job*, 36.

<sup>11</sup> Gao, “CRS Workers Cooperative,” 73.

<sup>12</sup> Gao, “CRS Workers Cooperative,” 73.

At CRS, each member had the right of access to every piece of information that coordinators and managers had, and was encouraged to drop in at any time to get it. Not only did members have the right of access to information, but CRS also considered that it had a responsibility to help them understand it. For that reason, CRS gave member workshops on demystifying management and financial information.<sup>13</sup> Each of the two work collectives had a designated place where reports and minutes were posted, and members were encouraged to read them during work time.<sup>14</sup>

General meetings were officially held twice a year, but they were usually held more often. Members expected that a general meeting would be called whenever a decision needed to be made which would have an important impact on the cooperative. Members could request a general meeting if they felt there was such an issue. Unlike early meetings, later meetings came to be very well pre-planned. An agenda was prepared far in advance and circulated, for feedback. Meeting time focused on questions and answers, debate, and discussion.

Managers put out reports twice per month. Committees gathered opinions from members, synthesized them, went back to members for feedback, and repeated the process. The board of directors had biweekly meetings and distributed detailed minutes. Anyone could give feedback to the board, or ask to attend or address a board meeting.<sup>15</sup>

### ***Distribution of Profits***

According to cooperative principles, there should be a limited return on capital, members sharing and benefiting from the profit they make. Most cooperatives seem to put a large portion of what they earn back into the cooperative, after ensuring that members earn a decent (but not excessive) wage and have the best benefits that can be managed. (After all, most workers' cooperatives are formed with the intention of providing members with an attractive, humane, equitable, and meaningful workplace.) Normally, people do not join workers' cooperatives with thoughts of earning high salaries.

<sup>13</sup> Gao, "CRS Workers Cooperative," 66–67.

<sup>14</sup> Gao, "CRS Workers Cooperative," 81.

<sup>15</sup> Gao, "CRS Workers Cooperative," 77–82.

## ***Expansion***

How big can a workers' cooperative become and still be democratically self-managed? Is there some magic number of members that can't be exceeded? At fifty-five members, CRS workers' cooperative was beginning to wonder whether or not the cooperative should divide into smaller, linked, independent cooperatives.

## ***Recruiting New Members***

A cooperative that recruits like-minded members is likely to have fewer problems than one that doesn't. CRS, situated in a large city with a cooperative community, had the luxury of being able to require new members to have prior cooperative or cooperative-related experience. CRS also stipulated that new members must share their belief in democratic and cooperative principles. Most cooperatives cannot require the former, though they can the latter. Some need new members with technical skills and have to recruit on that basis. How to select and train new members are questions that must be satisfactorily resolved.

We see coming here as both membership and work; we want people who have some previous cooperative experience, or in associations or groups. You can teach the work easier than you can teach people about how a democratic system might work, especially if their experience has been in a standard business where you have somebody who tells you what to do all the time.<sup>16</sup>

...people learn skills by experience and by night school courses and determination. The Cooperative always paid for night school courses for anything relevant to cooperative work. It also pays travel to conferences.<sup>17</sup>

## ***Political Outlook/Unity of Purpose***

Some workers' cooperatives have a political analysis; others don't. Some cooperative members see workers' cooperatives as offering an alternative to the hierarchical, authoritarian structure of the capitalist system. Some believe strongly in cooperatives and think that workers' cooperatives could be a force for social change. Some just want to do satisfying work in a setting they control. It appears, not surprisingly, that cooperatives whose members share dedication to a larger purpose find it easier to work cooperatively than those who don't.

<sup>16</sup> Mungall, *More Than Just a Job*, 39.

<sup>17</sup> Mungall, *More Than Just a Job*, 35.



In Gao's view, unity of purpose and homogeneity of the membership are what has made CRS possible. He defines this as a 'culture': "CRS members chose to live their vision and alternative culture, and they created CRS to do this. In this sense, CRS is indeed a cultural phenomenon."<sup>18</sup>

Gao suggests that workers' cooperatives often set themselves to find the perfect democratic structure, elaborating it with detailed rules and regulations, procedures, organizational formats, and so on. The problem with this is that structures, rules, and regulations can only facilitate self-management, democratic decision-making, and communication. They can't make it happen. If they don't, the temptation is to blame the structure and make it even more elaborate. "Ironically, as things get done more and more by the book, it is precisely the democratic spirit that the cooperative aspires to foster that gets stifled."<sup>19</sup>

Hence, what has to be done, in Gao's view, is to nurture a democratic culture. "At the core of this democratic culture are shared values, beliefs, and goals."<sup>20</sup> For CRS, Gao lists what he sees as the essential elements at the core of this culture: "an anti-hierarchical and anti-authoritarian mentality; the belief that work should be meaningful, implying both self-management, control over work, and the social impact of work; the principle of equality; an anti-capitalist mentality: the attempt to balance competition and short-term bottom line with cooperation and social and environmental responsibility; the belief that a workers' cooperative should be an integral part of the cooperative movement and the local community; and the principle of democracy embodied in collective decision-making."<sup>21</sup>

### ***Relationships with Other Cooperatives and the Cooperative Community***

Cooperation with other cooperatives is also a requirement according to cooperative principles, as is community education that furthers knowledge of cooperatives and cooperative principles. A cooperative like CRS takes this responsibility seriously, contributing money, experience, and skills to assisting other cooperatives and the cooperative community.

<sup>18</sup> Gao, "CRS Workers Cooperative," 102.

<sup>19</sup> Gao, "CRS Workers Cooperative," 99.

<sup>20</sup> Mungall, *More Than Just a Job*, 37.

<sup>21</sup> Gao, "CRS Workers Cooperative," 100.

## ***Financial Sustainability***

Evidently, a cooperative must be financially viable, successful at least to the point of providing a stable livelihood for its members. As a CRS member comments:

One of the main things we have to keep our eye on is that we are a business. If we fail as a business, then we certainly fail as a co-op. The reverse doesn't necessarily follow...we're competing in the market, in the capitalist, North American market. We can do it differently and have a different perspective about a lot of things, but we are still competing.<sup>22</sup>

However, the concern for financial sustainability must be reconciled with other goals as is articulated by a CRS member interviewed in the 1980s:

Profit considerations are important but not paramount. We place more emphasis on paying reasonable salaries, having good working conditions, producing and selling quality products, and supporting the cooperative community.<sup>23</sup>

## ***The End of CRS***

In 2000, the cooperative dissolved, through consensus. "People just didn't want to do it anymore. Those who didn't want to work any other way went on to other things. Some stayed on." Members sold the enterprise to one of themselves and it is now run as a private business.<sup>24</sup>

## **Summary**

In my view, at its best, a workers' cooperative is an organization in which individuals can come together, pool their knowledge and resources, work together, collectively make decisions, and engage in workplace self-management. As the cooperative develops, flexible and imaginative handling of detail makes possible growth that remains rooted in cooperative principles, thus moving it as an institution past its early ideal stage and into the real world. As such, it is possible to imagine cooperatives functioning as a training ground for democracy.

<sup>22</sup> Gao, "CRS Workers Cooperative," 100-103.

<sup>23</sup> Mungall, *More Than Just a Job*, 37.

<sup>24</sup> Staff of 'Uprising Breads' West Broadway store, interview with author, Vancouver, December 27, 2011.

To achieve such a result, however, is in no respect an easy process. As a final thought, here is a description of cooperative decision-making from another Canadian cooperative. This cooperative is quite different from CRS; a small press in Kitchener, Ontario, it provided community service in line with its political beliefs while surviving on commercial work. It averaged a dozen members at any given time; at that size, it could engage in the decision-making process outlined below. Though ideal, it is, as I said, not simple:

...For example, to reach consensus, we sit around and talk over a particular problem. We may talk about it for quite awhile and realize that we do not have a ready solution. If we need to make a decision, we generally choose the best available...If we still, after discussion, can't reach a decision, it probably means that the problem is not so urgent and that we can put it off to some other time. That has worked for a long time. It does have an effect on how efficiently things get done, but what we are doing is making a choice – that this decision-making process is more important than efficiency or than the perfect solution. We generally agree it is a very important part of our cohesion, the thing that keeps us here...<sup>25</sup>

<sup>25</sup> Mungall, *More Than Just a Job*, 109.

## Contemporary Statement of International Cooperative Principles

The International Cooperative Alliance (ICA) was founded in 1895 and represents 267 national and regional cooperative associations in ninety-six countries and approximately one billion cooperative members. The first six principles were drafted by the Alliance in 1966, based on guidelines written by the founders of the cooperative movement in England in 1844. In 1995, the ICA restated and expanded the principles to include a seventh principle on the sustainable development of members' communities. China's ICCIC is an ICA member.

### *Statement on the Cooperative Identity*<sup>26</sup>

*Definition.* A cooperative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

*Values.* Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. In the tradition of their founders, cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

*Principles.* The cooperative principles are guidelines by which cooperatives put their values into practice.

- **First Principle: Voluntary and Open Membership**

Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political or religious discrimination.

- **Second Principle: Democratic Member Control**

Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives, members have equal voting rights (one member, one vote) and cooperatives at other levels are also organized in a democratic manner.

<sup>26</sup> International Cooperative Alliance, "Statement on Cooperative Identity," [www.ica.coop/coop/principles/html](http://www.ica.coop/coop/principles/html) (accessed April 20, 2012).

- **Third Principle: Member Economic Participation**

Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of the capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.

- **Fourth Principle: Autonomy and Independence**

Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

- **Fifth Principle: Education, Training and Information**

Cooperatives provide education and training for their members, elected representatives, managers, and employees so that they can contribute effectively to the development of their cooperatives. They inform the general public – particularly young people and opinion leaders – about the nature and benefits of cooperation.

- **Sixth Principle: Cooperation among Cooperatives**

Cooperatives serve their members most efficiently and strengthen the cooperative movement by working together through local, national, regional and international structures.

- **Seventh Principle: Concern for Community**

Cooperatives work for the sustainable development of their communities through policies approved by their members.

## Appendix 2.

I intend to bring my account of Chinese cooperatives into the present in two relevant respects by means of this brief ‘Appendix’. I will begin with the revival of CIC and ICCIC in the 1980s, and go on to a short note on the 2007 Cooperative Law and ‘farmers’ specialized cooperatives’. I know some of this information due to various connections with ICCIC; some of it I obtained through interviews on February 24 and March 20, 2012, in Beijing, with present Chairman of the ICCIC Board, Michael Crook.

### The Revival of CIC and ICCIC

CIC was re-established in 1984, through the efforts of Rewi Alley and other long-time supporters of the Chinese Industrial Cooperatives. However, Rewi soon became frustrated with the organization; in his eyes, the people controlling it were too bureaucratic and did not have the genuine *Gung Ho* spirit. He wanted a new arrangement, and a new organization. He therefore made a successful petition to the State Council, and ICCIC was revived in 1987. The sponsoring organization was first the United Front Department of the Chinese Communist Party (CCP) and then, in 1988, the ‘Chinese People’s Association for Friendship with Foreign Countries’ (*Dui Wai Youxie*), under the Foreign Ministry. The registering body was the Ministry of Civil Affairs, as is the case for all non-governmental organizations. Rewi was the new ICCIC’s first Chairman, until his death in December 1987. This time, he chose the members of the Board of Directors carefully, and he was pleased with the result. Dr. George Hatem succeeded Rewi as Chair.

CIC continued to operate as a Chinese NGO, staffed by senior civil servants. It was funded, allocated personnel, and given office space by a Chinese Ministry – the State Assets Commission. In the early years, the Friendship Association provided ICCIC with organizational help and office space; the offices were in Rewi Alley’s former home in the Association’s compound. When this building was renovated for other use, ICCIC moved its offices to the third floor of Building Three in the compound.

CIC and ICCIC share between them the *Gung Ho* history, so there is a sense of kinship; sometimes, they jointly sponsor events. However, CIC several times proposed that the two organizations should merge, and each time ICCIC refused. Initially, ICCIC’s reasoning was the same as Rewi’s – that CIC was a government-controlled bureaucracy-laden organization. In addition, CIC was much the bigger and more powerful of the two;

ICCIC feared being swamped. Recently, a compromise has been reached: ICCIC now sends a Board member to represent it on CIC's Board of Directors.

CIC emphasizes the business side of cooperatives; it provides business support in the form of trade fairs, marketing assistance, and so on. ICCIC focuses on the inception of cooperatives; training and evaluation; and helping cooperatives become 'more genuine', that is, more consistent with international cooperative principles. In the first five years, its focus was on establishing cooperatives, giving loans in the old *Gung Ho* fashion. Following George Hatem, its next Chair was Yang Bo, who had been a Vice Minister of Finance as well as holding various other senior government positions. His relationship network was extensive, and he secured for the organization not only an annual disbursement from the Ministry of Finance through the Ministry of Light Industry, but also extra donations from his various contacts. This annual stipend stopped in 1992. ICCIC also received funds that had been frozen since the organization closed officially in 1952. The funds available for loans to cooperatives were soon used up, since the loans were not repaid, and the organization ceased giving them after that initial five-year period. All were written off as bad debt.

In the mid-1990s, the organization, having left the Friendship Association compound, rented new office space. At the same time, as government funding ended, it obtained support from the Canadian Cooperative Association, which funded several projects – the first being 'institutional strengthening'. Yang Bo retired, and the organization gradually reformed itself. Michael Crook had replaced one of the original long-time supporters, taking over her positions on the Board and as Treasurer, then spending several years as Vice Chairman before becoming Chairman. Michael worked for the Beijing support unit of the Canadian International Development Association (CIDA) for several years; subsequently, he was a founder, administrator and teacher in one of Beijing's best-known international schools. This experience, plus CCA's influence, has brought to ICCIC a modern, cooperative philosophy and administrative strategy.

### **The 2007 Cooperative Law and Farmers' Specialized Cooperatives**

ICCIC had long urged the Chinese government to pass a cooperative law, which would allow cooperatives to be established legally and open the way for political support. Such a law was promulgated in 2007. However, it had a narrower focus than ICCIC had hoped – it provided only for the founding of what it called 'farmers' specialized cooperatives'. According to Michael Crook, at the time the law was written, there was considerable debate over how the provisions should be written. The concern was to try to

keep cooperatives from getting too big so that they would not threaten local power. For example, if a cooperative accounted for the bulk of a village's economy, where would that leave the village government and the party committee?

One problem with the law as promulgated hinges on the definition of 'specialized' – interests wanting to set up obstacles for farmers can use that provision to prevent a cooperative from establishing itself. Michael gave the example of a cooperative near Beijing that wanted to grow strawberries, but was prevented from doing so by competitors who claimed that 'specialized' included certain varieties of strawberries and excluded others. The 2007 Law also mentions federations of cooperatives, but makes no provision for registering them; hence, cooperatives cannot achieve scale. (Given the concern with protecting the authority of local administrative bodies, that was probably intentional.)

More interesting to me is the law's stipulation on membership: eighty percent of members must be farmers, evidenced by having a rural residence registration. Michael feels that this requirement was intended to protect farmers by allowing only twenty percent of members to be non-farmers; there were prolonged debates at the time of the law's drafting over what the exact percentages should be. The problem is that it is the twenty percent of non-farming members who are most likely to provide the cooperative's capital.

With the passing of the law, both central and provincial governments have allocated substantial funds for assisting cooperatives; this makes forming a cooperative appealing to people who have no knowledge of, or interest in, cooperative values and principles. Some 'cooperatives' have no claim on the word, but are individual enterprises masquerading as 'cooperatives' for the benefits they can obtain. However, most knowledgeable observers agree that there are great differences among cooperatives, with some being much more 'genuine' than others.