



A Discussion on the Prominent Effect of the Re-development of Township Economy on the Construction of New Countryside

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Abstract

The construction of new socialist countryside provides historic re-development opportunity for the development of China's township economy and the re-development of township economy will provide huge power for the construction of new countryside. Because of history and reality, the development of township economy is still confronted with many problems, such as the deficiency of the development of countryside economy, the faultiness of the fundamental management system of agriculture, the weakness of the development capacities of enterprises, and the outer environment desiderating improvement. The re-development of township economy shall emphasize system innovation and capacity promotion, where the government shall take initiative to push the system innovation and township enterprises shall endeavor to promote their capacities.

Keywords: Township economy, The construction of new countryside, System innovation, Enterprise promotion

1. The construction of new socialist countryside: the opportunity for the re-development of township economy (enterprises)

The construction of new countryside is the historic task faced by socialist modernization construction. The Fifth Plenary Session of the Sixteenth Central Committee of the Communist Party of China raised the construction of new socialist countryside up to a higher level, the construction of harmonious society. The Secretary General Hu Jintao at the Seventeenth Communist Party of China National Congress again emphasized, from the principle of scientific development, the importance of making overall plans for the development of towns and villages and advancing the construction of new countryside. From the social economy development process of China, it can be seen that the construction of new countryside has become a necessary requirement in the sustainable development of society. The relevant data have shown that, in 2004, the per capita gross national product of China was three times of that in 1989; the financial income reached RMB2600 billion; the ratio of the first industry in Gross Domestic Product decreased from 25% to 12.5%; the ratio of the population residing in countryside decreased from 73.79% to 58.24% (Reading book in learning the construction of new socialist countryside, 2006). Therefore, making overall plans for the development of towns and villages and advancing the construction of new socialist countryside have become the objective requirements and urgent tasks of economy and society development of China at the current stage.

The Central Committee of the Communist Party of China put forward in the Eleventh Five-year Plan for national economy and society development a blueprint for the construction of new socialist countryside, "the development of production, better-off life, civilized village customs, clean and tidy village, and democratic management". "The development of production" is the core in the construction of new countryside and is the new impetus for the sustainable development of economy. The key of "the development of production" is "the increase of the output of grains, the increase of the efficiency of agriculture, the increase of the incomes of farmers" (hereinafter referred to as the "three increases"). To realize the "three increases", we have to implement the "three strategies", "transformation, exploitation, and promotion"; to put it in detail, the economy growth ways of agriculture and countryside shall be transformed, agricultural production chains and industrial systems shall be constructed by way of exploiting the fields and ways of agricultural development, the self-innovation capacity and guarantee capacity of agriculture shall be promoted to push the development and competition development of agriculture.

One significant element in the development of countryside economy is the development of township economy. Township economy has distinct agriculture (industry), countryside (enterprises), and farmer (employment) feature. In 1970s, township enterprises came into being and gradually developed. After going through various policies and years of zigzag development, now, the size of township enterprises is basically formed. According to statistics, during the Tenth Five-year Plan, the increase speed and quality of township enterprises improved remarkably, which is mainly shown as follows:

1.1 The rapid development of gross economy and the sizes of enterprises

At the end of 2005, there were more than 180 thousand enterprises that had reached beyond considerable sizes, 1 times more than that in 2000. The increased value amounted to RMB4700 billion, 1.72 times of that in 2000, with the annual increase rate being 12.15%. The business income amounted to RMB18700 billion, 1.73 times of that in 2000, with the annual increase rate being 11.6%.

1.2 The considerable improvement of capital and industrial structure

The enterprise reform with industry and right system as the core gradually deepens and the capital and industrial structure of enterprises has undergone evident changes. At the end of 2005, among the more than 1950 thousand township collectivism enterprises, 69.8% of them were changed into private enterprises. The countryside self-employed private enterprises became the main body force in the development of township enterprises. 17.6% of them realized the diversified investment bodies and were changed into mixed ownership enterprises. The civilian capital accounted for 84.9% in the national capital of township enterprises and accounted for 76% in fixed asset investment of enterprises. The ratio of the three industries of township enterprises in 2005 was 1.35:76.76: 21.89, while in 2000 the ratio was 1.15: 78.89: 19.96. The leading industries, such as food, clothes, machines, electrical machines, chemical industry, and materials had developed rapidly. The increased value of agricultural products processing accounted for 31.2% in township industries that have reached or are beyond considerable sizes. The values of export cargo accounted for 13.7% of the gross industrial output. The foreign investment actually utilized amounted to USD74.4 billion, 1.96 times of that in 2000.

1.3 The constant improvement of the level and capacity of science and technology

In 2005, more than 65% of the enterprises whose business incomes exceeded RMB 10 million set up research and development institutes. The increased value depending on science and technology accounted for 38.6%. The research and development capitals of enterprises that have reached or are beyond considerable size accounted for around 1% of the sale income, 0.5 % higher than that in 2000. The fixed asset investment reached RMB 5200 billion, 40.6% of which were used to change techniques. At the end of 2005, in township enterprises of China, 913 were high technology enterprises that were accredited by national and provincial science and technology departments; in the employees of township enterprises, 11200 thousand were of education level at or higher than secondary specialized education, 73% more than that in 2000.

1.4 The development of township enterprises has played key role in increasing the incomes of farmers.

In 2005, the increased value of township enterprises across the country accounted for 31.1% of Gross Domestic Product, the tax payment accounted for 20% of national tax income, the gross profit and tax paid respectively reached RMB1120 billion and 420 RMB billion, which was respectively 1.73 times and 2.07 times of those in 2000, and the number of employees of township enterprises was 0.14 billion. 40% of the increased net incomes of per capita farmers came from township enterprises. The salary incomes that the farmers gained from township enterprises increased from RMB 760 in 2000 to RMB 1100 in 2005, with the annual increase rate being 7.68%, and the proportion of the salary incomes that the farmers gained from township enterprises increased from 33.7% to 35%.

The above data show that township enterprises play a significant role in the construction of new countryside. It can be said that the development of township enterprises in the past 30 years laid a strong economic foundation for the construction of new countryside. The implementation of the "three increases" and the "three strategies" in the construction of new countryside provides historic opportunity for the development of township enterprises. The re-development of township enterprises provides new constant impetus for the construction of new countryside and becomes the innovation sources for the construction of new countryside.

2. The innovation of township enterprises: the new task confronted by the construction of new countryside

Since the reform and opening up system was executed, the industrialization process of China has gradually quickened. It is estimated that China has entered into the middle stage of industrialization process and is now at the transition period when the relationship between industry and agriculture is adjusting. To adjust the relationship between industry and agriculture, a new countryside must be constructed; to construct new countryside, the problem on development modes of economy shall be solved; to solve the problem on development modes of economy, the innovation of township enterprises must be advanced; to advance the innovation of township enterprises, the self-innovation and self-development of township enterprises must be sustained. Therefore, the new task of the construction of new countryside is to energetically develop new type township enterprises.

From the course and experience of the development of township enterprises in China, it can be known that township enterprises in China are confronted with the following problems:

2.1 The disproportion of economy development in cities and towns puts a higher pressure on the development of countryside economy, where township enterprises have become the main shoulder of the pressure.

With the development of the economy of China, the proportion of agriculture in national economy decreased from 30%

in 1980s to below 15%. The data show that in 2007 the ratio between the output of processing industry of agricultural products and output of agriculture was 0.79:1, while in developed countries, the ratio has reached between 3:1 to 4:1 (China statistics year book, 1998, 1999), which shows that when the proportion of agricultural economy in national economy was decreasing, the quality of agricultural economy is still at a rather low level. An austere and realistic problem is that with the extension of the disproportion of economy development between cities and towns, the development of countryside is not fundamentally changed from system. The way out is the industrialization, specialization and market. With the quickening of the industrialization of agriculture, market and management risks drop up. In the interlink of countryside with market, we must further develop corresponding organizations or contract forms to help farmers and agricultural products enter into the market, participate in the competition, realize values, and share profits of the increased value gained from primary products' coming into the second and third industries. Therefore, to ease up the pressure of the development of countryside economy, we must rely on the development and innovation of township enterprises.

2.2 The deficiency of the innovation of basic management system of agriculture blocks further development of township enterprises.

With the deepening of countryside taxes, the exemption of agricultural tax promotes the reform and adjustment of the re-distribution pattern of national income, whose core is to encourage countryside to follow the road of enterprise-oriented, size-oriented and marketization. The existing basic management pattern of agriculture in China is mainly the small-sized and part time farm households, while the development of specialization and industrialization is still at the initiative stage. The township enterprises are small in size, weak in enterprise-oriented capacity, low in industrial degree and poor in marketization operation, so they cannot develop rapidly to bring fortune, nor can they stand against risks. The ultimate result must be that the difference between cities and towns and between industry and agriculture continue to enlarge. Therefore, the basis management system of agriculture is confronted with problems in innovation. The essential of innovation is the production ways of agricultural products; to put it in detail, it is how to lead the capacity of agricultural products production and processing and the capacity of conduction matching production for industry to develop from family and cooperation organizations to sized enterprises. The agriculture development of many developed countries had just followed this road: to gradually develop from family agricultural management to enterprise agricultural management and to form enterprises pattern in production, supply and sale, from which the re-development of Chinese township enterprises shall learn.

2.3 The deficiency of self-development of township enterprises desiderates improvement

The prominent embodiment is that enterprise and industry groups have not been formed yet and most of the township enterprises are still single-sized with prominent structural contradiction. Although high technology enterprises gradually increase, most of township enterprises are engaged in agriculture and just a few are engaged in new emerged industries. In many industries, many township enterprises fight against each other, resulting in severe overmuch of production capacity and the disproportion of resources consumption and income returns. The product structure is not rationale; too many are products with others' brands; the rate of self-production is low; the possessing rate of self property right is less than 20%. The whole makings of enterprises are not high, and the strength is not strong. Especially, enterprises engaged in agricultural produces processing are "low in production, small in size, and dispersed in scale." Only a few enterprises are of big size and high level. Not more than 20% of the enterprises are with registered capital higher than 1 million Yuan. Because the enterprises are small in size, low in accumulation, and weak in the capacity of self-flowing development, the development, market projects and industrialized management of the enterprises meet huge difficulty (The Talks of relevant responsible persons of Township Enterprise Bureau of the Ministry of Agriculture, 2005). The fundamental source for the problem of system is weakness in management and administration of modern enterprises under the influence of family management, the lack of technology talents and the weakness of technology innovation and self-innovation, and the restriction of capital and market on the development of enterprises.

2.4 The poor outer environment for the development of township enterprises fortifies the difficulties in development.

The said outer environment refers to the capital, market, technology and policy corners in the development of township enterprises. The capital corner means that the difficulty in capital encountered by the development of township enterprises is higher than that by enterprises of other types. Most of middle and small sized township enterprises do not have external liabilities (except those inside families and enterprise problems), which is not a normal phenomenon. On the contrary, it can only indicate that its outer financing environment needs to be improved. The said market corner means that because of small size, the limitation in industry and the lack of management concepts of common township enterprises, the competitive capacity of their products is deficient, their products are of lower end, their markets are dispersed, and they do not have the right to fix price in the markets and the right of initiative competition. Technology corner means that due to the limitation of capital and market, it is hard for township enterprises to form and develop core technology and self-innovated technology, resulting in the difficulty in technology input and innovation. Policy corner refers to that under the background of the differences between cities and towns, between industry and agriculture,

of prices, of geology, and of management and administration consciousness, it is hard for the policy privilege to be transformed into market privilege. A simple fact is that although in geology, township enterprises are near the “resources”, in resource distribution, technology obtaining, and industry management, they are the farthest from “policy”. The difference between township enterprises and state-owned enterprises and urban enterprises is obvious.

To sum up, how to solve the problems and corners encountered in the development of township enterprises is important in the development and innovation of township enterprises, is the historic task of the construction of new countryside, and is the new choice of social and economical development.

3. The re-development of township enterprises: energy, innovation and promotion

Without any doubt, the re-development of township enterprises will become the key action in the construction of new countryside. The main task of the construction of new countryside is to develop modernized agriculture, increase the incomes of farmers, increase agriculture and countryside inputs, and deepen the reforms of countryside, for which township enterprises should shoulder the responsibility. The development of township enterprises will emit immense energy in the construction of new countryside. The detailed is as follows:

3.1 In developing modernized agriculture

Township enterprises play significant role in the construction and improvement of agriculture system and agriculture circulation system. Facts indicate that businesses in specialized cooperation economy organizations, agricultural products wholesale markets and agricultural products circulation field in the countryside are completed by township enterprises as the leading force. The leading position of township enterprises in the industrialization and agriculture will exert great influence on pushing the adjustment of industry structure of agriculture, product structure, and regional layout structure.

3.2 In increasing the incomes of farmers

The function of township enterprises in increasing the incomes of farmers will be more evident. No matter what it is, to exploit the potential of income increasing in agriculture, or to increase non-agricultural industry incomes, is closely connected with township enterprises. The processing of agricultural by-products extends the agriculture production chain, which will enable farmers to gain more profits in the exploitation of agriculture functions. To develop the processing, fresh food keeping, storage and other services of agricultural products, to cultivate leading enterprises, to set up common profit sharing and risk bearing system between enterprises and households, are the privileges of township enterprises. To increase non-agricultural incomes, we must push the system innovation and structure adjustment of township enterprises, guide township enterprises to centralize in towns suitable and in medium and small sized cities, lay importance on the development of labor-intensive and service industries which can provide more jobs, and guide labors to divert to non-agricultural industries and towns so as to increase the incomes of farmers. This is the duty of township enterprises and is the expectation of the construction of new countryside.

3.3 In improving the outlook of countryside and developing fundamental facilities and public careers in countryside

There is a great space for township enterprises to search in improving the outlook of countryside and developing fundamental facilities and public careers in countryside. It is unrealistic for the security and the road construction of countryside to totally depend on national finance investment. In fact, township enterprises have contributed greatly in improving the outlook of countryside and developing the fundamental facilities in countryside. At the time the township enterprises are developing, they are also developing and improving the environment they are in. The outcome of this kind of development is the new change of the new countryside.

3.4 In quickening the development of education, technique training, and cultural career in countryside and in cultivating new type farmers with knowledge, mastering techniques and good at management

The functions township enterprises in quickening the development of education, technique training, and cultural career in countryside and in cultivating new type farmers with knowledge, mastering techniques and good at management cannot be neglected. One of the fundamental tasks of township enterprises is to divert and absorb the overmuch labor in countryside. Township enterprises have exerted irreplaceable function in cultivating new type farmers. In the construction of new countryside in the future, the function of township enterprises will be fortified.

3.5 In increasing agriculture and countryside input and deepening the reforms of countryside

The function of township enterprises in increasing agriculture and countryside input and deepening the reforms of countryside is irreplaceable. The establishment of the long-effect system where industry pushes the development of agriculture and enterprises advance the development of towns and villages is actually the effect of the development of township enterprises. The increase of agriculture and countryside incomes cannot totally depend on the nation. The capital input of township enterprises on supporting agriculture and constructing countryside is the legal obligation of township enterprises as prescribed by *Law of Township Enterprises*.

Overall, the development of township enterprises plays an irreplaceable role in enlarging countryside economy, enriching agriculture population and constructing new countryside. The energy of township enterprises is waiting to show itself. Meanwhile, the development of township enterprises will also push to reduce the difference between urban and countryside and between industry and agriculture, whose function cannot be underestimated. The status of township enterprises in advancing the increase of the gross social economy and the transformation of the economy increase modes is strengthening gradually.

At present, besides the further improvement of policies and systems, the re-development of township enterprises should also attach importance on solving problems in innovation and promotion based on their own realities.

With regard to innovation, the first should be the cultivation and promotion of self-innovation capacity of township enterprises. The production scale and technology capacity of township enterprises are both of lower level and their management and administration levels and efficiency are low too, which requires that township enterprises encourage technology innovation, especially the innovation of self-technology. In this aspect, the government should take township enterprises as a kind of enterprise mode to render special support. The government can, for example, in innovation funds, technology support and technology reconstructing, render clear preferential policies and support. Township enterprises should also try their best in capitals and investment distribution.

The second is that the system innovation also needs the support of government because it is a long process for township enterprises if they just rely on themselves to deal with change, to pay the cost, to sum up experience and then to march in to the road of enterprise combination. The history of industry development indicates that this process can totally be optimized and avoided. The method is the guide and boosting of government in the system innovation of enterprises. The basic content of the system innovation of township enterprises is that under the guide and help of government policies, township enterprises shall develop the combination of township enterprises and build up development environment and industrial atmosphere for township enterprises, and the township enterprises, specially leading enterprises with the industrialization of agriculture, shall be incorporated, packed, protected and supported, where the function of government is irreplaceable.

The third is the innovation of sustaining system mainly for financing and market environment. The two choke points in the development of medium and small sized enterprises in China are the difficulty of financing and the difficulty of entering into the market. For township enterprises, the two choke points are even harsher. Therefore, to solve the problems in financing system, market entrance permission and logistics organizations for township enterprises are the system problem that shall be solved as soon as possible for the government in advancing the development of township enterprises. To certain meaning, these two problems are at this stage the most realist and importance ones.

The promotion mainly refers to the promotion of the management and administration concepts of township enterprises and the promotion of technology talents. Because the development of township enterprises is mostly depending on their own primary accumulation, they lag behind enterprises in cities in thoughts and concepts, methods and conducts, and technology renewing and system innovation. The gap is the fatal wound for the development of township enterprises. Therefore, besides to solve the external and internal environment problems by innovation, what is more important is that the thoughts and consciousness of the administrators of township enterprises shall be promoted. They should gradually change from the workshop, flowing and small sized management to face big market and big industry. They should set up market, efficiency and competition awareness. They should change family administration mode and concept into depending on teams and organizations to construct and develop enterprises and change from depending on individual skills and single production management modes to depending on technology teams, high technology and mature techniques to manage and administrate enterprises. Although township enterprises will pay the cost of all of the changes, the changes are necessary. The changes are the must ridges for township enterprises to overcome. Besides, the government and society shall also actively push the promotion of enterprises from outside. For example, they can actively guide and help township enterprises in industry policies, industry requirements, technology training and enterprise standard.

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