

Forecast for Rural China Seen from Transiting Czech Republic

I. Identification

Country: Czech Republic

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II. Context

Forecast for rural China is based on description of foreign investments and co-operation or competition between different key players along the food production chain.

Comparison of China with Czech Republic transiting from planned to market economy is made here. Approach to transition of planned economy in Czech rural areas was different after 1990 during transformation, and 1920 during land reform, compared to the one taken by China now, but the same during collectivisation reforms after 1950. Therefore, emphasis on individual, collective, farming or processing are discussed further in this article.

Web news

Below cited news were just copied from web journals as example of similar hot topics, which appear there each day:

Foreign direct investments (FDI)

Lenovo Group Ltd. is an example of top down approach can incorporate proposals of foreign investors. They believe that farmers in rural China can help the computer company reap profits as the developing world emerges as the next battlefield for the global computer industry.

Financing systems are competing for China's market

There are two approaches to manage rural area besides the planned one, which was used in China and Czech Republic: Cohesion like in EU and microcredit, which originated from Bangladesh. China had invited Muhammad Yunus from Grameen Bank lending system to begin a trial of the "microcredit" system, which specializes in making loans of \$100 or less, in one of three remote locations. The test could lead to expansion of the program throughout the country.

Other experiment was approved for HSBC bank in the Cengdu County of Suizhou City in Hubei Province in Central China. The area is about 6,900 square kilometres in size and has a population of 2 million people, with a significant agricultural sector and the Cengdu County of Suizhou City has a rapidly developing rural economy. Further, personal experience from visit of this part of China and historical analysis of approaches to manage rural areas will be presented.

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Central planning is not giving up

Other feature of top down planning is controlled birth rate. It can deny emergence of individual entrepreneurship. Word came down from the central government in Beijing that it was time to strengthen enforcement of China's one-child policy. In response, people are cited that, birth control bureaucrats showed up in a half-dozen towns with sledgehammers and threatened to knock holes in the homes of people who had failed to pay fines imposed for having more than one child. Other family planning officials, backed by hired toughs, pushed their way into businesses owned by parents of more than one child and confiscated everything from sacks of rice to color televisions, they said.

Web news do not contain information what normal Chinese do to cope with above mentioned foreign and top down interventions. Therefore, comparison with transformation of Czechs in rural areas is used to prepare forecast for rural areas in China.

III. Objective

Development of scenario for Chinese rural industry and man or woman is the objective of this article. Existing patience of Chinese people is opposite to competitiveness of some local and foreign companies. Who will be the local people capable to compete with new technologies?

IV. Methodology

Scenarios are developed along following transformation events for Czech rural areas:

- a. privatisation, merges and acquisitions (M+A) and FDI of food processing industry
- b. transformation of farming co-operatives
- c. emergence of new co-operatives selling from farm gate
- d. emergence of new farmers and international new ventures (INV)

Scenarios were developed from above listed events using affect theory, stress values of life events, and principles of international business.

V. Results

Scenario of privatization, merges and acquisitions (M+A) and FDI of food processing industry

Privatisation will not be possible in China as track of ownership is not known probably. Also M+A of private industry with state ownership was not accepted in Czech Republic and will not be possible in China also. FDI were already happened. Other example of FDI is Austrian biofuel processing company, which will compete with food production. Food consumption of Chinese is growing and food exports are considered from Europe now. Increased prices of food will cause decrease of consumption if income of Chinese will not grow as it happened in former Czechoslovakia.

Scenario of transformation of market structures of farming people

Stressing life events can be shown by decreased number of people employed in agriculture in first year after opening borders. Former Czechoslovakia had just 5.6% people employed in agriculture but this number decreased less then on one half.

Table 1: Amount of farm workers in thousands

	1989	1990	1991	1992	1993
TOTAL	533,6	513,6	407,1	306,1	260,1

Farms are very small in China now. Average farm size 0.5ha and low farmland inequality has spawned a variety of small-friendly arrangements. Seed breeders were encouraged by Chinese government to privatise breeding stations and laboratories. One of possible explanations is that government doesn't feel competent enough to manage research, development and implementation of new technologies. But, what predispositions and investment capacity have farmers in competitiveness with foreign investments, some of which were mentioned above?

Rural population is quite old. During the period of the Ninth Five-Year Plan period (1996-2000), insurance in China's rural areas saw sustainable development. Old age insurance covered 76 percent of towns and townships across China. According to the State Development Planning Commission, China has strengthened its welfare system. A social security system has also been established. Isn't the remaining 26% of population from rural areas? Problem with pension was found at private parents-entrepreneurs whom children in China are helping to retire as soon as they get own income.

How Chinese population handles fear, sadness, and other negative affects? There are several religions in China and all of them handle negative affective factors well. No one of contacted persons complained about bad behaviour of other Chinese people. Each Chinese person presented himself or herself as person capable to care for self and children. Japanese occupants were strongly criticized and Chinese people helped each other to increase price during bargain discussions. This feature points on possible problems of foreign investors with public opinion and its consequences.

Lack of capital seems to be the most important feature of conversion of rural areas in China. But recent investments and above mentioned financing experiments of Grameen bank show that there is nothing to worry about.

The only worry is about capability to challenge own fate and run own experiment. Chinese art and politics can be taken as examples. Art is very static using symbols. Policy is contrary very dynamic. Chinese nation have approved such things as red guards, one child policy, and other unique decisions. Symbols are repeated in different arts to express more or less in the same meanings. It indicates readiness for hard work but not for innovation. Therefore, it is possible to expect that self centricism of individuals will not be capable to manage political and industrial technologies while adapting Chinese society to World threads.

Scenario of emergence of new co-operatives selling from farm gate

Foreign investments and privatisation of Czech dairy industry resulted in decrease of farm gate prices for milk. Farmers have created co-operatives of milk producers and strengthen their bargaining power. It was not possible to create dairy co-operatives because they were created after 1920, nationalised after 1950, and privatised after 1990. Therefore, farmers were sure that they cannot manage investments in the factory and tried to sell milk through association of producers (ap), buying together dairy (coop or joint stock) or make agreement with some dairy to increase the use of projected capacity. Some farmers associated to reach farming technology and rented property from owners. This sum of agreements was necessary to create owners' co-operative.

Table 2: Producer associations and dairies owned by more than one producer

Location	form	farms	OCs	used (000) l	projected capacity
Zdislavice	ap	91	45	400	not appointed dairy
CS Lipa	ap	34	41	130	300
Klatovy	ap	n.a	60	240	not appointed dairy
Havl. Brod	dairy coop	18 total	60 ¹	60	130
Litomysl	joint stock	0	3	n.a	100

¹ members' deliveries; some members still deliver to other dairies.

Owners' co-operatives (OC) emerged after the special law was approved for conversion of collective co-operative farms to other entrepreneurial forms. Rural owners of land have changed the name and sometimes also management or structure of former collective co-operative farms. Some farms got separate from OC. Therefore, both farms and OCs created associations of producers (ap) to increase their negotiation power while selling milk.

Finally, dairies have created associations of dairies, which paid the same farm gate price to large suppliers of milk as to small ones to damage associations of milk producers. Negotiation power was balanced. Recently, farmer who fills the truck with milk receives special premium. Part of milk is transported for processing to Germany in these trucks. So, rules are changing and who cannot fight for own position in each step is looser. The first step was privatisation of former co-operatives in 1990-1991. Second step was transformation law in period 1992-1993. Third step was above mentioned association along the food product chain from 1994 (Table 2). The fourth step continued along the all previous three steps and remained in personal responsibility of farmer as is show further.

Scenario of emergence of new farmers and international new ventures (INV)

Results of research, which was repeated twice in two years between Holstein cow farmers in Czech Republic is used as example of the need for taking personal responsibility for product chain development. Veterinary costs in relation to milk yield were subject of this research. Veterinary doctors have received protection by law saying that it is only them who can sell veterinary medicine. Drugs became very expensive. How farmers reacted? Research results have shown that veterinary costs are approximately same for cow giving 4000 and 12000 kg of milk per year. It is forecasted that one quarter of farmers with low milk yield will quit soon because

they haven't invested in pre-accession period into their stables. Recent price of milk quota close zero is confirming expectation of high tech farmers to take over these with low milk yield.

VI. Forecast

Two general questions for this forecast opened firstly problem of sufficient income opportunities in cities of 100 million people. Secondly capability of rural population to defend own income in global age. Chinese rural areas will give income opportunity just to few Chinese people, compared to today situation. Chinese state will be disassembled as all other states do. Therefore, rural population will not be supported by significant rural policy. Above mentioned pension system and self sufficiency of old rural inhabitants can push them into the around cities right now. Both Chinese and foreign companies will take the lead in rural areas. Young part of population will not return from schools into rural areas, and will seek new opportunities Worldwide as there is higher income potential for offered services then in Chinese cities. Networks of oversees Chinese are ready to take inland Chinese out.

Transfer of both property and young people occurred everywhere in the developed World. But, will it be changed in time of Internet, energy and raw materials crisis, and while people are substituted by automats? It is possible to observe that only the best educated people can return back to rural areas and use the cheap labour and other resources from there. But politicians must guarantee it by approving of low taxation rates as it happened in East Asia. China can take this recommendation also.

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