

# *China's Industrial Cooperatives*

**A report of progress and of how it happened.**

**By Delbert Johnson**

**I**NDUSTRIAL cooperation in China, which was no more than a paper plan three years ago, today is a nation-wide movement that has cast a blight upon Japan's economic aspirations in Asia and is providing the people of China with a new means of salvation against foreign aggression.

The plan for the Indusco movement came into being during the dark days of the spring and summer of 1938. By this time the Japanese had destroyed or taken over 90 percent of China's modern seaboard industries; 60,000,000 refugees had been driven from their homes into the undeveloped interior, and a Japanese blockade now cut China off from direct access to the sea. Seemingly China was doomed to economic strangulation if not to military defeat.

But a handful of Chinese and foreign "visionaries" thought otherwise. They understood China's deep-rooted powers of resistance. They knew that time, area and population all would work to China's advantage in any prolonged struggle. With these factors in mind they worked out a scheme of industrial reconstruction and refugee rehabilitation that today forms the working outline of Chinese Industrial Cooperatives.

The plan called for the development of a widespread system of small-scale, cooperative workshops scattered throughout the interior of free China. These "vest pocket" industries would have three functions: first, to provide productive jobs for refugees. Secondly, to create new supplies of consumer, medical and military goods. And, finally, to erect an economic wall against the traffic in Japanese smuggled goods.

In two and one-half years, Chinese Industrial Cooperatives have grown from a word picture to an industrial organization comprising 2,000 cooperative workshops throughout 18 provinces of free China. They give employment to 80,000 workers, and indirectly provide a livelihood for about 1,000,000 formerly destitute refugees. They produce over 200 different commodities, and on the basis of a total capitalization of slightly more than \$500,000, each month produce more than \$1,000,000 worth of manufactured goods.

Some conception of the rapidity of C.I.C. growth can be gained by comparing these figures with those quoted in Mr. Edgar Snow's article,

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"China's Blitzbuilder, Rewi Alley," which appeared in the *Saturday Evening Post* on February 8, 1941. Although the number of workshops has been reduced from around 2,400 to 2,000, due largely to consolidations, about 1,000,000 people are now dependent upon the C.I.C. as compared with 250,000 reported in February. In addition, Mr. Snow's report of an annual production value of Ch.\$150,000,000 has now been increased to Ch.\$240,000,000, or about US\$12,000,000.

But all this is only a beginning. According to those closely allied with the movement, 30,000 workshops are needed to buttress China's economic defenses, and pave the way for China's democratic future.

### *What made for success*

Four factors have contributed to the unprecedented success of Chinese Industrial Cooperatives. Dr. H. H. Kung, China's imaginative and deeply patriotic Finance Minister, obtained financial backing for the risky experiment; Rewi Alley, a New Zealand engineer, developed the initial idea and put his crusading heart into the task of teaching it to the people; a group of American-educated Chinese technicians threw up their better paying jobs in private industry and went into the interior to develop a new technology from scratch; and tens of thousands of the common people caught on the idea of cooperative production and labored to make it work.

Dr. H. H. Kung, Finance Minister and concurrently President of C.I.C., is the husband of one of the three famous Soong Sisters, and brother-in-law of the Generalissimo. Without his aid and protection, the industrial cooperative movement would have died a-borning. It was he who supplied the first loan ear-marked for the development of the cooperatives, and it is he who has protected the growing movement from encroachments by political factions. As a firm believer in democracy, Dr. Kung has endorsed the cooperatives' non-political and non-partisan rôle.

One of Dr. Kung's long-cherished dreams has been the building up of village industries. In the early days of the movement he said, "Through this movement not only China's economic resources will be mobilized to offset the loss of the occupied areas, but also a foundation will be laid for the new economic order of the future, more consonant with Chinese life and free from the evils which inevitably accompany the industrialization of the accepted pattern."

Closely working with Dr. Kung is Rewi Alley, who has been described as the Lawrence of China. Alley was born in the small town of Springfield, Canterbury, New Zealand, on December 2, 1897. His father was a versatile pioneer who combined farming with energetic excursions into teaching, science, progressive legislation and rural coopera-

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tion. Alley's mother was an early exponent of the women's suffrage movement. From both parents Alley inherited English-Irish traits of tolerance, sympathy for the under-dog and progressive idealism. Named after Rewi Te Manipoto, a native Maori chieftain, Alley also seems to have been inspired by the aborigine's courage and resourcefulness.

When World War I broke out, Alley, at the age of 17, enlisted with the Anzacs. His brother, who signed up at the same time, was killed in France. Alley was wounded and twice gassed in the heavy fighting at Ypres in 1917. Later, he was decorated by the Prince of Wales for bravery in action.

Returning to New Zealand after the war, Alley took up sheep-raising; but when a depression ruined the wool market, he left the ranch in charge of his partner, and set out for China "to see what it was all about."

### *Rewi Alley goes to China*

Working his way up the China coast as a wireless man on a tramp steamer, Alley arrived in Shanghai during the troublesome spring of 1927, the period of the Kuomintang revolution. Within a few months Alley secured a position with the Shanghai Municipal Council, first as factory inspector for the Shanghai Fire Brigade, and later as Chief Factory Inspector of the Council's Industrial Department. He held this position until June, 1938, when the Chinese Government, at the suggestion of the British Ambassador, Sir Archibald Clark-Kerr, released him for work with Chinese Industrial Cooperatives as Chief Technical Advisor.

During his eleven years as Chief Factory Inspector, Alley strove to improve conditions in the notorious Shanghai sweatshops. He took a trip to London, Berlin, Paris and New York to study progressive systems of industrial relations, but upon his return to China Alley discovered that though he could ameliorate some of the most offending conditions, he could not institute a wholesale reform.

When the Japanese finished bombing Chapei, Shanghai's industrial section, all that was left of the city's former large-scale industries was a smoldering heap of twisted steel and ashes. The same thing happened in almost every other manufacturing center along the coast.

### *Shanghai gone*

Surveying the loss, Dr. Kung, Alley and their friends realized that from now on China would have to decentralize her industries and carefully conceal them from air attack. Many of them would have to be mobile, and some would have to be located behind enemy lines, since the more than 2,000 mile "front" was largely a guerrilla area in which rival forces constantly advanced and

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retreated over wide areas.

The scarcity of private risk capital also convinced them that a new type of financing would have to underwrite any new program of industrial reconstruction. By putting these various factors together, the idea of a decentralized system of small-scale cooperative industries was evolved.

On the basis of a small government grant, made possible by Dr. Kung, a few experimental projects were undertaken under the guidance of Chinese Industrial Cooperatives.

The first cooperative workshop was typical of the hundreds that soon followed. It was located at a railroad terminus in the refugee city of Paochi. It was made up of nine refugee iron workers, all of whom had escaped with their families from what was now Japanese occupied territory, but none of whom had been able to salvage enough tools or sufficient capital to set up an independent workshop.

The nine workmen organized their cooperative workshop along the lines of a model C.I.C. charter. They formed a cooperative society which then borrowed enough initial capital from the C.I.C. revolving fund to pay for equipment and a workshop. They then agreed to work together on a joint-ownership, self-management basis, and to sell their goods on the open market. Once their unit was in operation, they paid themselves standard wages, and at the end of the year distributed net profits to a reserve fund, welfare and educational funds, and about 10 percent to dividends.

### *The present status*

Today the industrial cooperative movement is engaged in about 200 different lines of manufacture. Among items produced are clothing, shoes, blankets, soap, porcelain, leather goods, chemical products, medical goods, machinery, power equipment, minerals, transport facilities and military matériel. Textile manufacture accounts for more than one-half of C.I.C. production. Next in order of output are chemical industries, small-scale machine building, mining, food stuffs production and transports.

The C.I.C. also has developed a social, though non-political, character. Its varied educational program, in addition to teaching trades, covers such subjects as hygiene, the social emancipation of women, cooperative outlook, and principles of democracy. The C.I.C. also has established clinics, gives special attention to the technological rehabilitation of war orphans and disabled soldiers, and maintains a vigorous educational campaign against the traffic in smuggled Japanese goods.

Although the movement still labors under the handicap of technological underdevelopment, considerable progress is being made by a group of Ford-trained Chinese engineers to improve production methods and build the kinds of machines

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that are needed. By means of a wide-spread system of workbench training, thousands of eager peasants and refugees are being taught new trades, and in general the lines of modernization have been laid out, with this one exception: China has bitterly learned the horror of mass production in urban centers—the sweatshops of Shanghai were among the world's worst—so from this point on every attempt will be made to keep the C.I.C. workshops small and decentralized, and located in small towns and villages, where, at least at present, their produce is most needed.

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