

With strong backward linkages between these rural enterprises and Chinese farmers, agricultural development in China grew substantially in the late 1970s and 1980s. This happened through farmland capital construction, chemical fertilisation and mechanisation. This expansion, coupled with high population growth, led to a surplus of labour and a scarcity of farmland.

As a result, China's rural enterprises increasingly shifted from supplying agricultural producer inputs to labour-intensive consumer goods for domestic and international markets.

From the mid-1980s to the 1990s, China's township and village enterprises saw explosive growth in these areas. At the same time they continued to supply agricultural producers with access to key inputs, new technologies and food-processing services. The most successful were those with strong links to:

urban and peri-urban industries with which they could form joint ventures and share technical information; those in private ownership; and those who were willing to shift from supplying producer inputs for farmers to manufacturing consumer goods.

China's experience provides a mechanism for enhancing rural access to agricultural inputs such as fertilisers and mechanisation, as well as post-harvest food processing. Rural enterprises may make the most sense in areas where farm-to-market roads cannot be easily established.

Along with sparking agricultural productivity, rural enterprises may also help provide employment for farm labourers who have been displaced by agricultural mechanisation.

By keeping workers and economic activity in rural areas, China has helped expand rural markets and limit rural-urban migration. This has also helped create conditions under which it is easier for the government to provide key social services such as health care and education.

Township and village enterprises enjoyed government support, but retained a degree of autonomy in their operations.

