

# Public Policies for Sustainable Rural Development: Evidence from China and Romania

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***Abstract:** Rural areas have an important potential for sustaining economic growth. While preserving important natural and human resources, rural areas also represent a key challenge in terms of balanced public policies for sustainable development both in China and Romania. Although there are considerable differences between these two countries in terms of population, geography and territorial size, in the field of rural area development we may identify significant similarities regarding some important issues: poverty, unemployment, poor rural infrastructure and access to education, transport and other public services. Taking into account these similarities, our paper presents a comparative analysis of the main trends in the public policies for sustainable rural development of both countries, highlighting, through a SWOT analysis, the most important opportunities and threats they have to cope with. In the final part of our research we suggest several policy recommendations, including a brief assessment of the cooperation opportunities the two countries may have to improve their rural areas development.*

***Keywords:** rural development, European policy for rural economy, Chinese policy for rural areas, sustainable development*

## 1. Sustainable rural development – a brief theoretical introduction

There have been various approaches to the issue of rural development, in terms of the pursued objectives, the theories put forth, but also regarding the implemented policies. In terms of the objectives, if during the 1950s and 1960s the main concern was the contribution of rural areas to the economic growth, in the 1970s and 1980s, the focus of rural development policies shifted to the fair distribution of income, the reduction of unemployment and poverty alleviation in the countryside. In the 1990s, instead, the main rural development objective was to improve the villagers' quality of life (their standard of living, level of education, etc.), and then, beginning with the years 2000, the ideal of sustainable development has taken centre stage.

In this context, it appears important to us to specify that the evolution of rural development theories was decisively influenced by the successive changes of the dominant theories regarding economic development. As such, if the main influence during the 1950s was exerted by the Rostow model (the linear stage economic development model), the most influential theory during the 1960s became that of the structural changes (the Lewis model), followed by the dependency theory (according to which there is a dependency of the periphery on the centre, or of the poor countries on the rich countries) in the 1970s and then by the neoclassical economic theory and the endogenous development theories, in the 1980s and 1990s (OECD 2016, p. 67).

During all this time, a series of predominant strategy and policy approaches on both the rural development, the development of agriculture and (of) the rural communities in general, have also succeeded one after the other. The idea of agriculture modernisation and (of) implementing agricultural productivity-enhancing universal techniques was predominant in the 1950s, for example. The 1960s and the 1970s

represented the beginning of the so-called Green Revolution: in certain rural areas in developing countries, agricultural production grew considerably due to the industrialisation of agriculture, in particular due to the introduction of fertilisers and pesticides, but the costs also grew significantly, causing the ruin of poor farmers who continued to practice traditional agriculture. In the 1980s, the rural development programmes and strategies began to increasingly rely on the local resources and specificities, as well as on the development of rural communities, while during 1990-2000 various investment programmes targeting different socioeconomic and environmental issues began to be implemented. Such programmes are financed either by the World Bank and the International Monetary Fund – Comprehensive Development Framework (CDF), Poverty Reduction Strategy Papers (PRSPs), Community-Driven Development (CDD) – or by the United Nations – the Millennium Development Goals (MDGs).

Given these fundamental elements regarding the evolution of rural development policy objectives, in the following sections of this work our analysis attempts to present the most important rural development challenges faced by the two countries subject to our research: China and Romania. Although the economic and political backgrounds are completely different, in both states the rural area is vast, with an important potential for economic development, but is subject to multiple challenges: development inequalities as compared to urban areas, high poverty, unemployment, insufficient infrastructure development, the difficult access of the population to education, insufficient access to essential quality of life elements (water and sewerage services, transport, electricity). In both states, agriculture is the engine of the economic development of rural areas, but this sector continues to require new policies, able to foster the modernisation and technological upgrading of agricultural holdings, and an increased sustainability of agricultural practices.

It is worth mentioning that in both states, ample reform processes have been implemented in the field of rural development. If, in Romania, these reforms took place under the ambitious objectives of the EU Common Agricultural Policy<sup>1</sup>, in China the rural area reform policies have been shaped in accordance with the national economic growth objectives.

## **2. Rural development reform policies in China and Romania – a comparative analysis**

As above mentioned, both in China and in Romania rural areas are facing a series of similar challenges, but there is a fundamental difference between the two states, related to land ownership – one of the main income factors for the rural population. This is the starting point of our further endeavour of looking, on the one hand, at the aspects in which the rural development issues in China and Romania either converge, or diverge, and, on the other hand, at the reforms undertaken in the two countries in response to these challenges.

### **2.1. Rural development reforms in China**

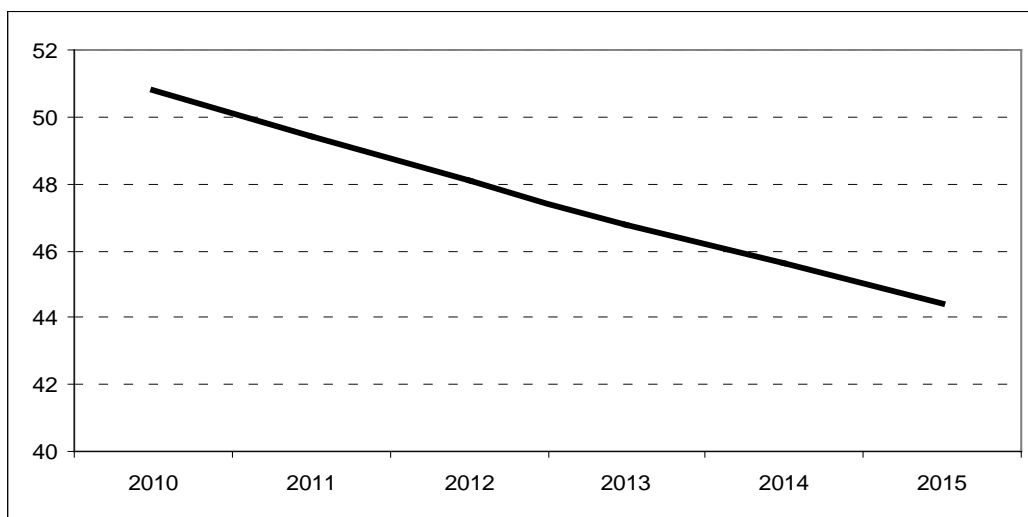
Over the last decades, China has shown strong economic development and accelerated urbanization, phenomena which have led to the improvement of the population's standard of living and to the country's assertion as a major actor on the international stage. According to OECD (2009) analyses, in parallel with "urban China's" spectacular transformations, the rural economy has also changed significantly under the impact of a series of structural reforms, initiated by the authorities with the purpose of increasing food safety, bridging the urban-rural gap, alleviating rural poverty, as well as raising the competitiveness of agriculture. Our analysis below highlights both the importance of rural areas for the Chinese economy as a whole, the strategic directions of the reform in the field and the estimated impact of narrowing the rural-urban development gap.

As revealed by the World Bank statistics, in spite of the obvious downward trend of the rural population's weight/share into the overall population, a large part of Chinese people still live in the countryside. Only between 2010-2015 this index has declined from about 51%, to over 46% (see Graph 1), but its level is still very high as compared to that of other countries. As such, Chinese leaders have placed rural development among the national priorities and have devised strategies and implemented reform policies aiming at the betterment of the quality of life in rural areas.

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<sup>1</sup> Given that in 2007 Romania became a Member State of the European Union, it had to bring its rural development objectives and models in line with the strategic targets of the Common Agricultural Policy.

**Graph 1: The share of the rural population in China's total population (%)**



Source: Processing by the authors based on the data provided by the World Bank.

Beginning with the “economic openness” stage (in the 1980s), in order to spur rural development and to improve the competitiveness of the agricultural sector, Chinese authorities initiated a series of reforms on the rural land use and farmers’ income growth. In fact, according to a recent strategic document (State Council of PRC, 2013), policies aimed at increasing farmers’ income continue to represent a strategic objective and “a guarantee for the sustainable economic and social development of rural areas.” The reform of land ownership and (of) land use rights is an important pillar of the strategy for poverty alleviation in rural areas. (see Box 1).

#### **Box 1: Property reform in the rural environment**

- 1. The Household Responsibility System (1978)** introduced the first regulations on rural property, and established that the land belonging to a farm, although formally remaining within the collective household, could be rented to a family, initially for a period of five years, which was extended gradually, first (in 1984) to 15 years and later on (in 1993) to 30 years. Following this first agricultural reform, by 1983, the entire arable land was allocated to individual households under this system. According to a study by the World Bank and the National Development and Reform Commission of the Council of State (World Bank, NDRC<sup>2</sup>, 2014), the Household Responsibility System was the driving force that has prompted the agricultural sector growth and poverty reduction in China’s rural areas, over the last decades.
- 2. Another important stage of the ample rural development reform process was the adoption of Document no. 16/1996 (Notice on Further Stabilising and Improving the Rural Land Contracting Relationship)** which enabled the transfer of rights of possession over the land against a value agreed upon by the parties, on condition of acceptance by the leadership of the collective household and, at the same time, it restricted the unilateral adjustment by the latter of the rights of possession and use for individual households. The document explicitly prohibited the use by the collective house of measures imposed unilaterally on the title holders and users, with regard to the individual administration of farms.
- 3. The Property Law was adopted in 2007** and it clarified the differences between all the types of property (state, collective and private). Also, this legal framework specified the fact that the land held in collective ownership belonged to all the members of the community in question and not to an associative entity. At the same time, the farmers’ use rights were qualified as ownership rights (which determined many confusions and represented an impediment for an efficient land rental and selling system), establishing that after the 30 years of rental, the farmer who was using a certain piece of land could extend the rental agreement.
- 4. An official document of 2011 on the ownership over the land in the rural area (The State Council’s Document no. 9 of 2011) prohibits migrant workers’ land requisition by the collective households** (whether residence land, arable land, forest land or grassland) **when they move to town or apply for town residence.**

Source: Synthesis by the authors based on the legislation consulted.

The “double management” system (the existence of collective households concomitantly with the individual administration of farms) has enabled the improvement of agricultural production, stimulated the farmers’ initiative and promoted a more competitive rural development.

<sup>2</sup> National Development and Reform Commission.

Over the last decades, the rural property reforms have laid the foundations of a new economic system in China's rural areas. The implementation of the Household Responsibility System enabled a certain liberalisation of agricultural production, the fundamental purpose of the reforms being both to develop production forces and also to encourage the exchange of products between the households, breeding a true "economy of goods" as a basis for increased prosperity in the rural areas. Certain studies (Kahrl et al., 2005) show that institutional reforms on land ownership created a "wave of enthusiasm" among farmers. These reforms also contributed to the increase of agricultural production and of labour productivity. The individual contractual land use system enabled farmers to dispose of the goods obtained "as surplus" beside those required by the collective household, but also it let them use their free time outside the mandatory working hours in the collective households. As a result, farmers were stimulated to also engage in other non-agricultural activities, in order to supplement their income.

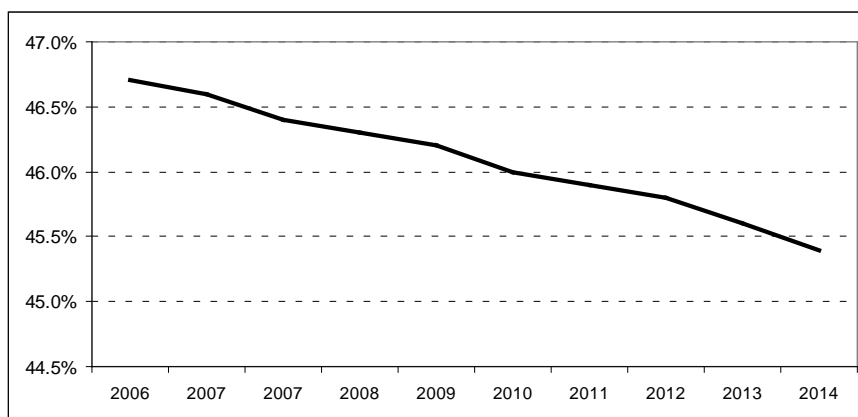
Although the progress of land ownership reform in rural areas is important, certain analyses (Westmore, 2015) show that new measures clarifying ownership are required as a prerequisite to increase the quality of life of rural inhabitants, but also to enhance the competitiveness of agriculture. Such measures are important in order to ensure a system that would enable a full transfer of land rights under market conditions, as well as to permit increased fairness of the conditions in which land is expropriated for public utility objectives (in particular in relation to the compensations granted to farmers using the land in question).

Certain opinions (Westmore, 2015) show that with China's remarkable development over the last decades, the share of the agricultural sector in the entire economy decreased, although its productivity grew. This is due to the investments made to raise the degree of mechanisation in agriculture and to enhance the productivity of the farms where the activity evolved from labour-intensive, to capital-intensive agricultural production. There are studies (Koehn et al., 2013) that find that in China the mechanization and technological upgrading of agriculture continue, however, to be still at an early stage, facing a persistent and considerable gap as compared to advanced economies. The analysis we refer to shows that the share of the population working in the agricultural sector is still significant (35%) in China, compared to the average in the advanced economies (2-3%). However, the scope of the reforms that the Chinese Government intends to implement in order to accelerate the closing of this gap is impressive. As such, according to the reform plans in the field of agriculture employment, by 2020, the Chinese Government intends to grant resident status in the urban area for around 100 million migrant workers coming from rural areas. A study in this regard (Kahrl et al., 2005) shows that the development of the Chinese agricultural sector depends on the evolution of the reform in four key-areas – workforce, land ownership, water resources and technological development –, being subject to a series of challenges in each of these areas. For example, in China's Northern regions, the sustainability of water resources (indispensable for agricultural production) is severely endangered. The same analysis also points out that the intensity of using chemical fertilisers is very high in Chinese agriculture as compared to the international standards, and this represents a source of risk for the population in terms of food safety. A possible solution for these challenges would be for public investment to focus on tapping into the advantages brought by biotechnologies and the technological advances in the field of irrigation. Although the challenges to speeding-up the development of a more competitive agricultural sector persist, as shown above, rural reform has undoubtedly been beneficial for Chinese agriculture, leading to the rapid increase of the agricultural production – cereals in particular – and to the structural optimisation of the sector.

## **2.2. Rural development reforms in Romania under the impact of the Common Agriculture Policy objectives**

In Romania, a significant part of the population lives in the rural areas, although a visibly descending trend in this regard has been seen in the post-accession years (see Graph 2), the rural area having a huge development potential but being subject to systemic problems: insufficient infrastructure development, poverty, high unemployment and the need for more sustainable agricultural practices.

**Graph 2: The share of the rural population in the total Romanian population (%)**



Source: Processing by the authors based on the data provided by the World Bank.

As underlined in the introductory part of our work, over the last few years, the reform of rural development policies in Romania has followed the transformation paradigm imposed by the multiple reforms of the Common Agricultural Policy. The most recent reform of this policy, dating back in 2013, established as strategic objectives for the Member States the revitalisation of rural areas and the reduction of interregional development gaps, in this context, Romania being empowered to select measures adapted to its own needs and manage its rural development programmes according to these needs, while the EU partially funds the costs (through the “co-financing” process). The EU framework for funding agriculture and rural development for the 2014-2020 time-frame establishes that through the Flexibility Mechanism it will be possible to transfer up to 15% of the funds between the two pillars (agriculture and markets – Pillar I/rural development – Pillar II). This will enable Romania to reach more easily its specific rural development objectives. In concrete terms, this is the new architecture of direct payments, which become better targeted and more equitable, while preserving, at the same time, the “environmental component” and aiming at strengthening the safety networks in the field of rural development.

In this context, it must be noted that the mechanism for the fulfilment of the direct payment criteria, the so called “cross-compliance,” which represents the general framework guiding the Member States in obtaining financing under the Common Agricultural Policy, has become, since 1 January 2015, better targeted with regard to the environmental component, through the introduction of a new instrument: the direct “green” payments.” This type of financial support will reach up to 30% of the total funds allocated to direct payments and will be accessible by the farmers who observe three mandatory agricultural practices: (i) conservation of permanent grassland, (ii) cultivation areas focused on organic production and (iii) crop diversification. Direct “green” payments must be included in the rural development programmes of the Member States because they have the advantage of incentivising agricultural practices that respect the environment and the ecosystems. Certain analyses (Was et al., 2014) indicate the immense potential existing in the new financing context of the Common Agricultural Policy for 2014-2020, in terms of sustainability and the “greening” of agricultural practices of EU farmers.

According to the data provided by DG Agriculture & Rural Development, Romania is among the Member States which attach importance to the sustainability objective, a fact which is emphasized by the structure of the rural development measures implemented in recent years (see Box 2).

#### **Box 2: Rural development measures in Romania**

*The most recent Rural Development Programme (RDP) for Romania was formally adopted by the European Commission on 26 May 2015, outlining Romania's priorities for using nearly EUR 9.5 billion of public money available for the 7-year time-span 2014-2020 (EUR 8.1 billion from the EU budget, including EUR 112.3 million transferred from the Common Agricultural Policy direct payments, plus EUR 1.34 billion of national co-funding).*

*In Romania, the RDP aims at promoting the diversification of rural economy and the creation of new job opportunities to help mitigate the surplus of workforce in the agricultural sector, as well as at enhancing rural incomes. Nearly 3 000 projects are supported for setting-up/developing non-agricultural businesses in rural areas. Under the LEADER initiatives, Local Action Groups will implement local development strategies,*

covering 100% of the eligible rural territory. Almost 800 projects will be supported to improve small-scale rural infrastructure and living conditions for around 27% of the rural population. These projects will include investments in local roads, waste and water supply facilities, nurseries, kindergartens, after-schools, and agricultural high schools. Following the most recent reform policies, in Romania, EUR 2.4 billion were allocated for investments in physical assets, EUR 1.4 billion for payments to areas facing natural or other specific constraints and EUR 1.3 billion for basic services and village renewal in rural areas, while EUR 1.1 billion were designated for farm and business development.

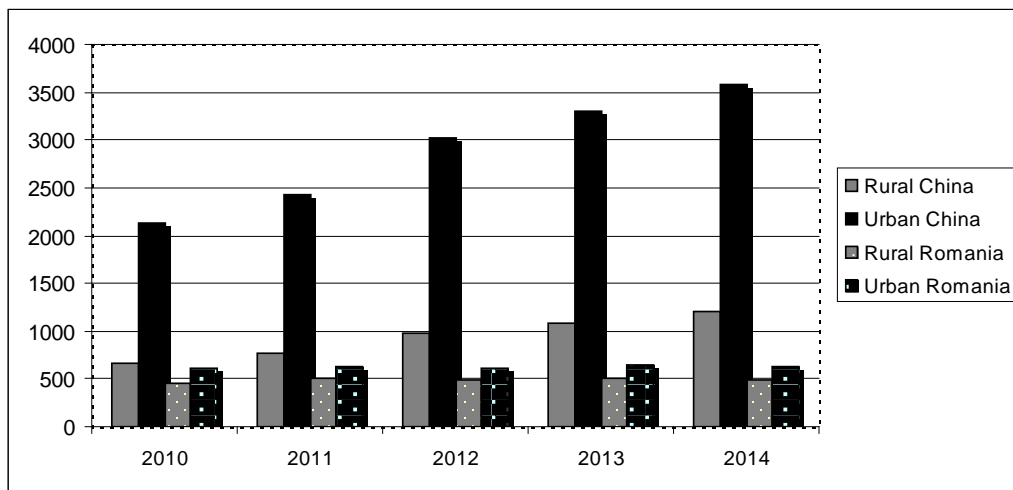
Source: Synthesis by the authors based on the DG Agriculture & Rural Development data

### 3. Policy responses to the main rural development challenges in China and in Romania

If earlier in our analysis we showed the impact of the most significant reforms on rural development, hereinafter we make a brief presentation of the main policies implemented by the two countries as a response to the challenges to sustainable rural development and in order to reduce urban-rural development gaps.

For both countries the issue of the rural-urban development gap, in particular with regard to income, is important, with the population in rural area having significantly lower incomes as compared to the urban population (see Graph 3). Through certain targeted policies (for instance by giving to the rural population the possibility to migrate and work in urban areas, or to the agricultural workers the opportunity to engage in other, non-agricultural, part-time activities in the countryside and also to market their excess production) China managed to start reducing (closing) this income gap over the recent years.

**Graph 3: The urban-rural income gap in China and Romania (EUR)**



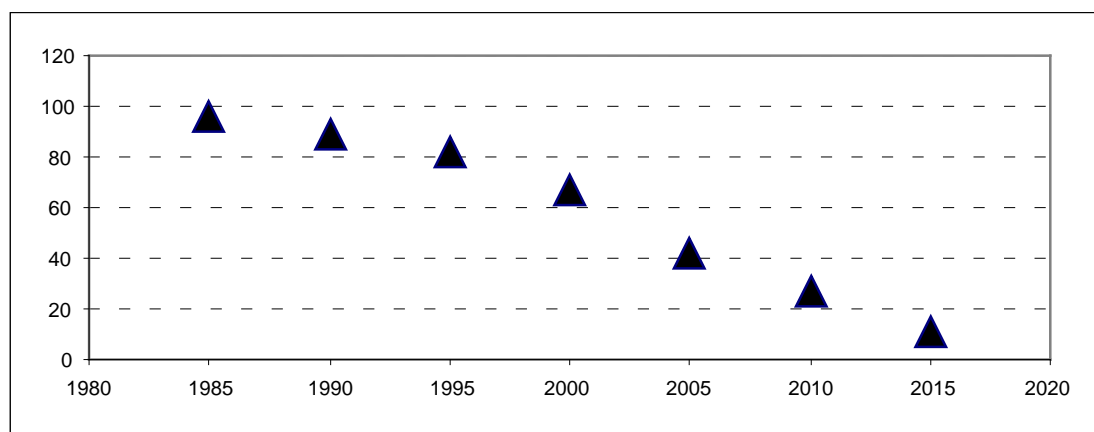
Source: Processing by the authors based on the data provided by the World Bank.

Note: Many of the rural residents from Romania are currently employed in urban areas.

The problem of poverty in the rural areas is endemic for both countries, one of the causes being the insufficient diversification of the economic activities and the high dependency of jobs on the agricultural sector. As a result, both countries tried to implement certain policies to respond to this major challenge for sustainable development in rural areas.

As such, according to the most recent statistics of the World Bank, in 2015, around 11% of Chinese rural population still lived below the poverty threshold (set at USD 3.19/day), mainly due to the small size of farms, which had prevented their modernisation, but also to the poor access to crediting, reflected in the low level of farm investments. Nevertheless, the World Bank statistics also reveal a rapid decrease of the percentage of rural population living below the poverty line, during the last decades (see Graph 4), with China among the leading countries which had contributed to setting this trend.

**Graph 4: The rural population living below the poverty threshold(% of the total population)**



Source: Processed by the authors, based on the data provided by the World Bank.

To reduce the development gap between the urban and the rural areas, according to certain approaches in the literature (Rehman, et al., 2016), the issue of the residence rights reform, more precisely of the hukou registration system, remains essential. Recent national reports (Guoqiang, 2016) show that the removal of the barriers to migration could complete the land ownership reforms, facilitating income growth in rural areas and poverty alleviation, all the more so since it was on economic grounds that the massive human migration from villages to the large urban agglomerations had started. According to Westmore (2015), between 2005-2015 the top five provinces by the average income per capita were the destination of choice for 65% of the migrants coming from the rural areas. In 2011, the Suzhou prefecture implemented a pilot initiative for this kind of a temporary residence permits system which applied to the majority of migrants. It results from certain evaluations of this project (Ding et al., 2013) that the implemented system, based on electronic records, was a success and it enabled authorities to maintain a clear registration of the resident population, while providing access to public services as well. However, it must be mentioned that a significant challenge against the hukou system reform is related to the costs of such an initiative. Westmore's evaluations (2015) show that in the absence of new significant investments, granting residence permits for all migrants would put very high pressure on the public services, in most urban areas. Moreover, in the context of the current budgetary system, such a regulation would require either an important transfer of funds from the central to the local authorities in order to cover the cost of public services, or the development of alternative legal sources of budgeting, for local authorities. This would also require a reform of the fiscal system with a view to supplementing the incomings of the regional and sub-regional authorities (for instance, such a reform might include the taxation of the trade in possession rights, not only in ownership rights, as well as the introduction of property taxation, or of the local authorities' right to issue bonds).

In Romania, the issue of increasing farmers' income remains critical for the future of rural development. To this end, public authorities may use both the direct payment instrument, and other public policy mechanisms (financed in the wider framework of the Common Agricultural Policy), among which we mention: income support for farmers and assistance for complying with sustainable agricultural practices<sup>3</sup>, market-support measures (these come into play, for example, when adverse weather conditions destabilise markets) and rural development measures (which are intended to help farmers modernise their farms and become more competitive, while protecting the environment, contributing to the diversification of farming and non-farming activities and to enhancing the vitality of rural communities). In our opinion, to be truly optimal for sustainable rural development, those mechanisms must be managed coherently. For example, direct payments provide farmers with a steady income and reward them for providing environmental benefits which are in the public interest. Likewise, rural development measures make it easier to modernise farms while encouraging diversification of activities in rural areas.

Another important rural development challenge for both states is the modernisation of agricultural holdings. Both in China, and in Romania, agricultural property is quite fragmented, making it more difficult for

<sup>3</sup> Under the Common Agricultural Policy 2013 reform, 30% of direct payments will be linked to European farmers' compliance with sustainable agricultural practices which are beneficial to soil quality, biodiversity and the environment generally, such as crop diversification, the maintenance of permanent grassland or the preservation of ecological areas on farms.

farmers to access financing. Under these conditions, certain crediting instruments that support them in the purchase of modern equipment and advanced technologies would be required. Romania, for instance, could use the Common Agriculture Policy new measures to facilitate collective investment, help small farms to develop and encourage transfers of agronomic know-how between farmers through a European Innovation Partnership in the farming sector. In China's case, given that the size of arable land per capita is reduced as compared to other economies, the farmers are constrained to use intensive agricultural practice and an increased quantity of fertilisers. Thus, in order to attain sustainable rural development, national projects should finance production methods that seek to preserve soil fertility as much as possible. This is why the technical assistance offered to farmers for the use of new technologies, less detrimental for the environment, should represent a priority for the future agricultural reforms, in order to reduce the overuse of chemicals which is currently the common practice on Chinese farms.

In order to increase the greening of agriculture, an improved clarification of land ownership rights could be highly beneficial, enabling workers in the rural areas who are not involved in agricultural activities to transfer their rights to specialised agricultural producers. The transition from the prevalence of small farms to the association into extended farms could be beneficial for the sustainability of agricultural practices, large farms having the required potential to apply new agricultural technologies and to promote intensive agriculture.

## **4. SWOT analysis on rural development in China and Romania**

### **4.1. Strengths**

**In China**, as shown by the statistics, the development of the agricultural sector has recorded an obvious upward trend over the recent years, the land ownership reform playing a decisive role in this respect. By implementing rural reforms on the use of the land in the framework of the Household Responsibility System, the way towards poverty reduction in the rural areas and towards agricultural productivity enhancement has been opened. Also, an important reduction of the rural-urban development gap has taken place.

**In Romania**, the CAP financing framework makes available to the authorities the necessary instruments for the targeted financing of the rural area. In this way, the transformation of aid decoupled from production into a multifunctional support system may be done by replacing single payments per holding with a payment system with seven components: 1) a "basic payment" per hectare; 2) an additional aid to compensate the costs related to the supply of public environmental goods that are not paid for by the market (the ecological or "green" component); 3) an additional payment for young farmers; 4) a redistribution payment enabling the consolidation of the aid for the first 30 hectares of a holding; 5) the granting of an additional income support in the areas with natural constraints; 6) aid coupled with production due to economic or social reasons; 7) a simplified system favouring small farmers who benefit from less than EUR 1 250 de euro. The new aid per hectare is reserved exclusively for active farmers. Moreover, the direct payment packages available to each Member State will be gradually adjusted so that all payments will turn into minimum payments in euro per hectare, by 2019 (the so-called "external convergence" process). In this respect, it should also be mentioned that, while the prevalence of small-scale farms has been seen as a weakness in Romania's rural areas until now, in our opinion, the Common Agriculture Policy rules allow small farms to benefit from direct payments: this could include eligibility of grassland with trees and rocks, or minimum payments under simplified schemes, for family farms.

### **4.2. Weaknesses**

**The insufficient modernisation of Chinese agriculture** is the main weakness identified by our analysis. As Chinese agriculture continues to modernise, farmers will need new skills to tap into the new technologies in order to obtain the most substantial productivity increases possible. The farmers' skills are also essential for adapting agricultural production to the specificity of demand, as consumption habits have departed from traditional patterns once household income has begun to increase. In this context, government policies aimed at increasing the productivity of agricultural holdings should first of all address the following three objectives: (i) support for the population remaining in the rural areas and working in agriculture to make it more competitive; (ii) the provision of assistance, possibly by means of subsidies, to those who seek the improvement of their professional qualification in order to operate the new technologies; (iii) the creation of "support networks" for farmers who have difficulty adapting to the use of new production technologies.



With over 3.63 million agricultural holdings, **Romania** concentrates 33.5% of the total number of farms in the EU, but they account for only 7.5% of the cultivated area at the EU level. This discrepancy reflects **the predominance of small farms and a very low average area of the agricultural holding in Romania. The very low levels of standard production per area suggest that there is significant room for optimizing the typology of farms.** To achieve this, Romanian farmers must have good knowledge of the CAP and PNDR financing instruments. For example, to access financing under the PNDR the standard production coefficient is an essential instrument. In most financing measures under the new PNDR, the level of the standard production standard – SO<sup>4</sup> is an important criterion, one that may even lead to elimination.

On the other hand, farmers must have a medium-and long-term vision, pay increased attention to the effects of climate change and take advantage of the adjusting measures to climate change financed by the new international and national public policies, including the PNDR.

It must also be specified that in Romania, family farms are often subject to market failures. The lack of markets for the goods they produce, due to cheap imports and tighter regulations on the informal sale of smallholder products are weighty obstacles for small farm development. Small-scale farmers are unable to obtain a stable income, while the profitability of local small-scale production is further damaged by the unrealistic standards imposed on small producers by the large hypermarkets' competition.

### 4.3. Opportunities

**Although visible progress has been achieved in terms of agriculture development in China, further technological upgrading would lead to considerable better results.** Technological modernization and the acceleration of innovation in rural China remain essential triggers of agricultural productivity growth. Westmore (2015), for example, shows that in addition to the reforms concerning the size of the agricultural holdings and the improvement of resource allocation, productivity growth in agriculture could be also stimulated by implementing public policies which act as incentives for innovation. The incentivising potential of the policies aimed at increasing productivity would be considerable, if, through the domino effect, a successful innovative idea adopted (through the double management system) at national level is afterwards disseminated in as many regions as possible.

So far, public sector was traditionally the main pole for the support of research and development (R&D) in agriculture. However, since 2000, with the magnitude of the privatisation process and the development of businesses in agriculture, many agricultural companies began to invest in their own R&D&I activities, in particular in the field of technological development. Innovation activities have also been carried out by institutions (in particular by the Agricultural Cooperatives, regulated by the Specialised Agricultural Cooperative Law adopted in 2007), and those activities have been accompanied by training which enable farmers to observe the new technologies. These actions have set the stage for positive externalities from the use of the new technological advances and innovations in farming. This type of stimulation of innovation and modernisation in agriculture has grown exponentially in recent years (however, with better development in China's Northern regions), and certain analyses (Garnevska, 2011) show that the process could be stimulated further by the implementation of direct financing lines from government sources, in order to ensure the technical support for such institutions.

**In Romania**, rural development priorities are broken down into "focus areas". For example, the prioritisation of resource efficiency includes the focus areas "reducing greenhouse gas and ammonia emissions from agriculture" and "fostering carbon conservation in agriculture and forestry". Within its RDPs, Romania may set quantified targets for these focus areas. Those areas then set out which measures they will use to achieve these targets and how much funding they will allocate to each measure.

At least 30% of funding for each RDP must be dedicated to measures relevant for the environment and climate change and at least 5% to LEADER (a programme designed to strengthen the rural economy by encouraging locals to take action at the local level rather than imposing off-the-shelf action on them).

### 4.4. Threats

**One threat against the development of the rural sector in China** is the form of the current hukou, in that it may disadvantage farms and companies operating in rural areas, by depriving them of qualified labour, while increasing, at the same time, the development gaps between the rural and urban environments.

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<sup>4</sup> Resulting from the multiplication of production by the agricultural area.

To find a solution for these inequities, a series of new regulations have been implemented so far regarding the hukou status, among which the most important relate to the lifting of transfer restrictions regarding small town hukou status and the relaxation of regulations for medium-sized towns. Another novelty is the introduction of legal provisions that guarantee to rural workers who work in towns that they can maintain their rights to rent the land in rural areas. Until these regulations had been adopted, the perspective of losing their land has discouraged the migration of workers from the villages.

In the view of certain national analysts (Guoqiang, 2016), the reform of the hukou system should be deepened because current regulations still continue to be restrictive in terms of the access to large cities (cities of more than 10 million persons) and metropolitan areas (over 20 million persons), which are more attractive for the majority of migrant workers due to better wages opportunities, but are too crowded to receive new inhabitants. In these areas, the eligibility for hukou status is based on a system of points that favours the long-term residents and the residents with a high level of education and skill.

**For Romania, the European Commission's package of Seed Regulations**, as it is currently proposed, may be seen as a threat to agro-biodiversity, and to traditional farm management by small-scale family farmers. In this respect, we believe that clear guidance for the Member States is required to avoid unintended consequences such as economic losses for family farmers and losses of local varieties and breeds. Also, an element of vulnerability is the lack of a common voice of rural economic actors at national scale, and the lack of access to information – the many agencies which farmers need to contact for a variety of assistance measures are poorly coordinated and difficult to access.

## **5. Conclusions – policy recommendations for the increase of sustainable rural development**

In China, as far as reducing rural-urban development gap is concerned, the reform of the current residence system seems to be a priority all the more since, in its current form, the hukou system is discriminatory for the inhabitants of rural areas who would like to move to urban areas to engage in non-agricultural activities. At present, we consider that a road-block to the economic development in China's rural areas lies in the discriminating nature of the current regulations, because migrants with residence permits (hukou) registered in the rural area do not have access to public services in the towns in which they work, in particular to the healthcare and education systems, to pension schemes, or to unemployment and other social benefits. As a result, although over the last few years, certain progress has been made, in 2015, approximately 50% of the migrant workers coming from the rural areas still did not have employment contracts and most of those with such contracts had been hired on a limited period. Also, in our opinion, the new reforms should “disconnect” eligibility for access to public services from the hukou status. This intention could be materialised through the introduction of residence permits that would ensure the holder total access to public services, while also preserving the migrants' rights over the land in their rural area of origin. At the same time, rural development in China could also be accelerated by the promotion of policies on subsidising the purchase of modern equipment and the cultivation of a larger range of varieties, including those obtained by means of biotechnologies, thus contributing both to the raise of agricultural productivity and to the increase of the farmers' income. At present the fact that provinces have different levels of subsidisation for the purchase of technologies may lead to an unbalanced development. The importance of a well thought of and balanced legal framework is emphasized by the case of the subsidy granted to increase seed variety. Initially, this subsidy was granted to seed producing companies to market new varieties and types of cultures. However, as a result of the identification of cases of corruption and abuse at the level of these companies, the subsidy was converted into a direct payment to the farmers.

In Romania, in order to boost sustainable rural development, national authorities should consider six priorities under which they may *grant* funds for rural development: fostering knowledge transfer and innovation; enhancing competitiveness; promoting food chain organisation & risk management; restoring, preserving & enhancing ecosystems; promoting resource efficiency and transition to a low-carbon economy and promoting social inclusion, poverty reduction and economic development in rural areas.

Last, but not least we should mention that bilateral cooperation in the field of rural development could be beneficial for enhancing the sustainable development of this sector in both countries. Currently, friendly cooperation between China and the Central and Eastern European Countries is offering new opportunities for the China-Romania cooperation in the field of rural development. An important vector of this partnership could be to intensify cooperation in agricultural investment, and to encourage Chinese agri-businesses to invest in

livestock, vineyard cultivation and processing, irrigation facilities and agricultural machinery in Romania (such cooperation could be developed under the framework of the bilateral Memorandum of Understanding on Further Strengthening Agricultural Cooperation, signed by China and Romania in 2014). Another pillar of the Chinese-Romanian cooperation could be to enhance information exchange and sharing of know-how in some specific sectors (such as organic farming, eco-friendly agricultural practices or bottom-up rural development projects), and promote agricultural trade through exhibitions and trade fairs.

In addition to cooperation opportunities, it is important to specify that both states, in order to truly achieve a sustainable dimension of rural development, need to stimulate financing for training and the dissemination of knowledge and information among farmers, in particular with regard to the environmentally-friendly agricultural practices employed and with regard to the financing opportunities for such practices (at national, but also at regional or international level). In order to strengthen the green component of the future rural development in both countries, cooperation between farmers and the managers of rural estates must be encouraged (in particular to ensure the connectivity of certain environmental measures with measures related to the protection of ecosystems in rural areas), in parallel with the better organisation of the training and counselling activities in the rural area which should offer information on how to access funds and credits for sustainable agricultural practices.

In our opinion, although both states made remarkable progress in the field of rural development, major regions of both countries still suffer from rural poverty and lack of environmental protection. In order to substantially improve rural development levels in China and Romania, public policies need to provide incentives for employment growth, water and environmental sustainability along with technological advancement in the field of agricultural production.

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