

A Double-case Study of Government Regulation Models in Rural E-commerce in China

Gong Yu^{1,*}

¹*School of Government Management, Beijing Normal University/ Rural Governance Research Center, Xijiekouwai Street, Beijing, China*

**905045599@qq.com*

ABSTRACT

Rural e-commerce has always been one of the important measures for poverty alleviation. The infrastructure and public services in China's rural areas lag behind those in urban areas. The rural government has innovatively adopted "promotional" supervision to promote the healthy development of rural e-commerce. "Promoting" supervision has three characteristics: consistency of motivation, platformization of tools, and mutual communication between processes. Based on two cases, this paper analyzes the government supervision in rural e-commerce, and proposes two typical rural e-commerce supervision modes: "consultant type" and "coaching type".

Keywords: Rural e-commerce, Government regulation, Agricultural products.

1. INTRODUCTION

With the popularization and improvement of Internet technology and rural infrastructure in rural areas, the rural e-commerce industry has developed rapidly. In November 2016, 16 departments including the National Development and Reform Commission and the Ministry of Industry and Information Technology jointly issued the "Guiding Opinions on Promoting E-commerce Targeted Poverty Alleviation", vigorously developing rural e-commerce in rural areas in central and western China. In just 4 years, the comprehensive demonstration project of e-commerce in rural areas has covered 832 poverty-stricken counties in the country, served more than 10 million people in poverty, and increased the income of more than 3 million poor people. At the same time, rural e-commerce agricultural products have repeatedly achieved good sales. In 2017, the national poverty-stricken counties achieved online retail sales of 120.7 billion yuan, a year-on-year increase of 52%, and even reached 239.2 billion yuan in 2019, a year-on-year increase of 33%.

Since the 18th National Congress of the Communist Party of China, the leaders of the central government have made important instructions on government supervision of agricultural products many times. The Ministry of Agriculture and Rural Affairs' "13th Five-Year Plan for National Agricultural Product Quality and

Safety Improvement Plan" clearly stated that during the "13th Five-Year Plan" period, agricultural product quality and safety supervision should gradually explore a set of supervision models that conform to China's national conditions and agricultural conditions. Through the development of rural e-commerce, the source control, standardized production, and risk prevention and control of agricultural products can be improved [1], which puts forward new and higher requirements for the development of rural e-commerce in China and for local governments to carry out government supervision.

2. LITERATURE REVIEW

Domestic research on government regulation in rural e-commerce has achieved a lot of results. Zeng Xianghua (2018) proposed from the perspective of administrative law that no matter what kind of supervision mode, the key must have sufficient authority, and this authority mainly comes from the direct authorization of the law or the authority[2]; Liu Peng (2010) summarized food safety supervision into four research perspectives: science and technology school, industry school, administrative law school, and political science public management[3]. Lu Jian (2010) and others proposed that food safety supervision in agricultural products needs to establish an analysis, evaluation, early warning, and credit system from the technical perspective of process raw materials[4]; Wang Changwei and Gu Haiying (2012) started from industrial economics, and proposed that the

food industry environment and supervision model will have an impact on corporate behavior[5]; Liu Yaping (2018) concluded from the research on government agency reform that the important elements in food safety supervision are It is information and science, so the supervision model in rural e-commerce needs to be more flexible[6]; Hu Yinglian (2019) studied the evolution of my country's food safety supervision model, and believes that government supervision departments need to play the dual roles of Enabler and Regulator at the same time. He also advocated Establish a "Chinese-style" regulatory model[7].

3. ANALYSIS FRAMEWORK

In rural e-commerce, the cooperation between local governments and enterprises is very close. For example, county leaders frequently appear in e-commerce live broadcasts, local government Weibo will promote the sales links of local rural e-commerce, and many county heads participate in "Alibaba" training. At the same time, enterprises are increasingly participating in the policy formulation of local governments, such as talent introduction, regulatory technology, preferential policies, etc., which have strongly promoted the improvement of the local business environment. The government regulator and the regulated in rural e-commerce are no longer antagonistic, but cooperative, not low trust, but high trust, which forms a new "promoting" supervision model.

The "promoting" supervision mode in rural e-commerce can be divided into two modes according to the degree of agricultural production intensification and the market competitiveness of agricultural products. The first is the "consultant type", which has the lowest degree of government participation and the largest enterprise autonomy. The second is the "coaching type" with the highest degree of government involvement. The degree of intensification of agricultural production mainly refers to the production of agricultural products with a strict standard system, perfect operating procedures, and mature technical personnel. These directly enhance the value of agricultural products. The market competitiveness of agricultural products mainly refers to the sales situation, including whether there is competition of similar commodities, rural e-commerce operation capabilities, stickiness of target customers, maturity of target markets, etc., which directly affect the prices and sales of agricultural products. (Figure 1)

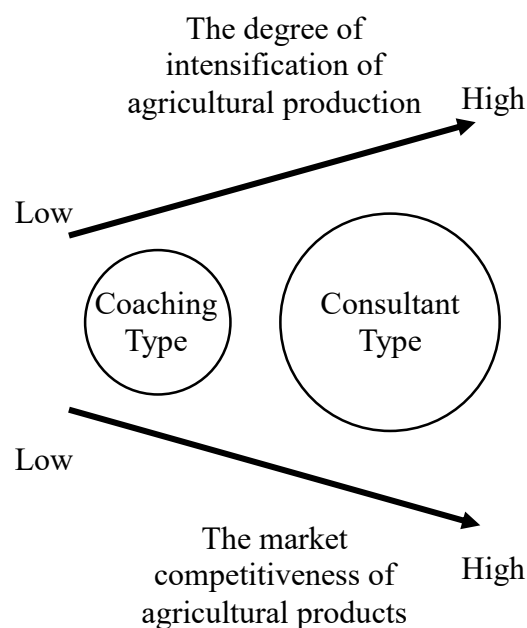


Figure 1 Two types of the "promoting" regulatory model

4. THE SELECTION OF CASES

In order to explore the relationship between rural e-commerce development and government supervision, this paper adopts a double-case comparative analysis, and finally selects two cases of Yi County (referred to as Y County) and Fengning County (referred to as F County). This is because the two cases are typical, and have better performance in homogeneity and heterogeneity, which are suitable for comparative analysis. The homogeneity of the two cases is reflected in the fact that the counties in which they are located are all national-level poverty-stricken counties, all of which have become national comprehensive demonstration counties for e-commerce in rural areas before 2017, and have achieved excellent results in the sales of rural e-commerce agricultural products.

The heterogeneity of the two cases is reflected in the following aspects. The first is the production of agricultural products. The dairy cows in County F have passed the national inspection and is typical demonstration of national standardized production, while the agricultural products of the County Y is relatively common. The second is the market competitiveness of agricultural products. The dairy cows in F county has unique and difficult to replicate natural conditions, which greatly improves the quality of agricultural products and the products have strong market competitiveness. However, although the sales of and persimmons in County Y are better, they will face greater pressure from market competition of similar products in the later period.

5. CASE ANALYSIS

5.1 Policy Background

After the establishment of the socialist market economy, the government supervision mode of rural products broke the traditional "government and enterprise integration" mode and began to transform into an external supervision mode. This is reflected in the successive reforms of government institutions since 1998. However, a series of food safety incidents such as "Sanlu Milk Powder" in 2008 caused the most serious crisis of trust in food safety supervision. In October 2008, the executive meeting of the State Council pointed out that "the Sanlu milk powder incident has exposed the outstanding problem of the serious lack of supervision of dairy products in my country", and the agricultural product safety supervision mode began to transition to comprehensive supervision. In 2018, the State Administration for Market Regulation was established to build a comprehensive regulatory system from the top-level design level.

The rural e-commerce model of the grassroots government also shows significant integration. The two counties selected in the case directly established comprehensive administrative law enforcement agencies around 2018, and established a comprehensive law enforcement coordination mechanism in their work. This mechanism integrates the market supervision and administrative law enforcement functions of the departments of industry and commerce, quality supervision, food and drug supervision, price and other departments to form a comprehensive law enforcement body. Based on this, the two counties have established e-commerce service centers and set up branches at the village level to master the information of e-commerce business enterprises and e-commerce agricultural products in the county. The main body of comprehensive law enforcement and the e-commerce service center cooperate to become the main body of rural e-commerce agricultural product supervision. With similar government agency settings and policy backgrounds, the two counties selected for the case have chosen different regulatory models in their respective rural e-commerce development.

5.2 The Policy Goals of the Two Counties

Under the working mechanism of targeted poverty alleviation "central coordination, provincial overall responsibility, and implementation by cities and counties", the rural e-commerce supervision model in the two counties in the case was greatly affected by local policies. From the "Action Plan on Carrying out Consumption Poverty Alleviation to Help Win the Battle of Poverty Alleviation" promulgated by Hebei Province in 2019, it can be seen that the two counties have different

focuses on the supervision of rural e-commerce agricultural products. County F pays attention to "speeding up the construction of the agricultural product standardization system" and focuses on helping agricultural products improve their standardized production capacity. Y County pays attention to "building a regional characteristic agricultural product brand", helps agricultural products open up a broader market, and guides and regulates the production and sales of various operating enterprises, aiming to achieve sustainable regional development and stable income growth of the poor through rural e-commerce. Although the two counties have different concerns based on their own development stages, they both focus on giving play to the function of rural e-commerce to help farmers increase their income, and place the supervision of rural e-commerce agricultural products under the framework of regional industrial development. This policy purpose and policy value preference are fully reflected in the cases of the two counties.

5.3 Rural E-commerce Supervision in County F

County F is a deeply impoverished county in Hebei Province and is an important water conservation area and ecological barrier. The local area pays attention to the development of organic agriculture with low pollution and high added value, and has become the key base of dairy industry in Hebei Province. County F has the golden latitude and altitude that are most suitable for dairy farming, and has unique advantages such as air and water sources, all of which have led to the quality of fresh milk reaching a high domestic level. At the same time, F County has carried out organic agriculture and organic agricultural product certification for many years, and dairy production enterprises in the county have realized the standardized production of organic pastures and organic pastures in the whole process to ensure that the product quality is controllable. Organic farm production has certain technical barriers, and it is difficult for the government to fully grasp all the production information of enterprises. On the one hand, local government supervision adopts traditional means, such as managing enterprise qualifications through administrative licensing approval and urging enterprises to establish standardized production, etc. On the other hand, it adopts the latest network supervision methods to supervise the third-party information of enterprises.

After the establishment of the e-commerce service center in County F in 2018, the government supervision department will monitor the third-party platform information and network information by means of network monitoring, collect the quality feedback information of milk products, and use it as the basis for punishment or certification conditions. For example, in 2019, due to frequent complaints from consumers on third-party platforms for a dairy product company in the

county, the local government decided to withdraw the company's e-commerce certification and no longer provide the company with preferential policies such as rent-free rent, water and electricity reduction and exemption.

With the maturity of technical conditions, government supervision introduces a communication mechanism. The specific method is that the county commerce bureau takes the lead and cooperates with the e-commerce service center to build a cloud platform for rural e-commerce agricultural products in the county area. Relying on the platform to carry out corporate communication and dialogue, data monitoring, on-site research, etc., and listen to corporate development needs in real time. The government can make more targeted policy adjustments, and provide policy support and public services such as industrial incubation and technical guidance for the development of enterprises. When necessary, it can even help enterprises to purchase materials and training through the government affairs network, so as to jointly consolidate and promote the market competitiveness of dairy products.

In the supervision of rural e-commerce, local governments play the role of consultants. For example, when the deputy head of County F learned about the rapid rise in the price of organic feed during the company's research, he immediately convened various departments in the county to discuss countermeasures, and provided the company with a three-step solution, that is, to solve the financial pressure first, then expand the product line, and finally look for alternatives. Government regulators have become consultants to help companies solve real problems.

5.4 Rural E-commerce Supervision in County Y

Y County is located in a contiguous destitute area, with a weak agricultural industry foundation and harsh natural conditions. The county takes rural e-commerce as an important direction through transformation and innovation, and in 2015 launched a national comprehensive demonstration project of e-commerce in rural areas. The persimmon varieties in Y County are mainly the long-established Mopan persimmon, with an annual output of 300 million kilograms, which is one of the core agricultural products in the county. Although the planting area is wide, the degree of intensification is low. It is mainly planted by individual farmers and village-level cooperatives, and mainly supplies the market in Beijing. With the rapid development of national e-commerce logistics, persimmons from other places, such as Jiro sweet persimmons and Luotian persimmons, have gradually seized the Beijing persimmon consumer market, and persimmons in Y County are facing greater competitive pressure.

Y County established an e-commerce service center in 2017, built a cloud platform for e-commerce development, and greatly improved the efficiency of government supervision of persimmons and other agricultural products in the region. Different from county F, persimmons in county Y face the problems of scattered production and backward industry, and the e-commerce service platform needs to play an integrated function. First of all, integrate a large number of persimmon producers in the region and strengthen the control of the source production link. Secondly, the platform integrates the Municipal Supervision Bureau, the Commerce Bureau, the Supply and Marketing Cooperative, and the Poverty Alleviation Office to implement unified supervision and services. Thirdly, manage county public brands through the cloud platform of e-commerce service center, carry out unified packaging and branding for agricultural products. Finally, the logistics resources of nearly 500 villages in the county were integrated, and the logistics codes were compiled uniformly, which greatly improved the management of the circulation of agricultural products.

The supervisory department of Y County played the role of coach in the process of developing rural e-commerce. For example, the main leaders of Y County and the person in charge of the e-commerce center cooperated with each other to provide seedlings and fertilizers at preferential prices to persimmon farmers in the county, which greatly accelerated the promotion and cultivation of new varieties in the local area. In addition, agricultural technicians are arranged to give lectures in a cycle to promote planting technical standards. One of the outstanding growers was elected as a technical instructor, and villagers were organized to conduct self-examination on product quality. The agricultural products that finally meet the product quality requirements will be certified and branded by the e-commerce center, and will be sold by the e-commerce unified sales network. After such rigorous training, the ability of agricultural product producers in the county has been improved, and the cost of communication between the government and society has been saved, and the overall competitiveness of the county's agricultural products has been continuously improved.

5.5 Comparative Analysis

Although County F and County Y show different supervision methods, they are both "promoting" supervision, mainly because they have the following three characteristics at the same time.

The first is platformization of tools. County Y and County F carry out government supervision by establishing comprehensive e-commerce service centers, integrating participants in the whole process of rural e-commerce, and improving the quality and brand influence of agricultural products. At the same time, these

measures have built a communication platform between the government and enterprises, helping to enhance mutual trust between them. It is generally believed that "absence of government, information asymmetry, and moral hazard are the main regulatory dilemmas we face" in government supervision. However, the platformization of tools can improve the efficiency of information communication between different participants in rural e-commerce, thereby overcoming the information gap.

The second is the mutual communication. The second is the mutual communication. The grass-roots government is the "last mile" to implement the regulatory system, and the rural e-commerce companies in both cases focus on organizational construction. For example, the branches of rural e-commerce companies in County Y and County F cover almost all administrative villages, realizing the supervision of the production behavior of village-level producers such as rural cooperatives and large producers. These measures have built an information platform for two-way communication. For example, County F conducted a dialogue survey on entering enterprises, and County Y integrated small farmers through government departments and rural cooperatives, which brought supervision to the front line of agricultural production. This two-way information communication prompts external regulators to enter the interior of rural e-commerce operations and become partners in the development of e-commerce. In order to obtain preferential policies and sales opportunities, individual enterprises in rural e-commerce are also very willing to show their business strength to government regulators. Therefore, they are highly cooperating with regulatory work, and promote more rational regulatory policies and continuous improvement of the business environment.

The third is consistency of motivation. The rural e-commerce companies in both cases put the quality of agricultural products in the most important position, which is reflected in every link of the industrial chain. For example, when County F integrates resources through the cloud platform, it is not just to integrate quantity, but more importantly to improve the safety and quality of agricultural products. From the perspective of the overall industrial development in the region, these measures have played a role in promoting the implementation of policies and technological updates. The focus of regulators has also shifted. In the past, it was trying to prevent companies from taking advantage of policy loopholes, and now they are more focused on how to create a favorable external environment for business development. The way businesses operate has also changed. In the past, enterprises were only passive recipients of policies, but now they have more opportunities to participate in policy formulation. For example, in the process of helping the poor households get rid of poverty, the two counties in the case developed

a set of industrial assistance measures through the enterprise, which not only improved the operating income of the enterprise, but also helped the government solve the employment problem of the poor households. In rural e-commerce, the motivations and values between entrepreneurs and politicians are increasingly aligned.

6. CONCLUSION

The poverty-stricken counties in the two cases have adopted a "promoting" model to supervise rural e-commerce, which is an innovative supervision idea of the grassroots government in poverty alleviation. The "promotional" mode of supervision is appropriate and efficient, so it has a role in promoting the development of rural e-commerce. This new regulatory model takes into account the political purpose of the local government and the profit motive of entrepreneurs, and is a beneficial model for the development of rural e-commerce. The "promoting" mode of supervision not only exists in the above two cases, but will also be more widely used in practice. The "promotional" mode of supervision includes two types: "consultant type" and "coaching type", both of which will help to further release the business vitality of rural e-commerce, improve farmers' market economy awareness and the degree of agricultural industrialization. It provides model reference for poverty-stricken areas and vast rural areas in central and western China. In the implementation of the rural revitalization strategy, General Secretary Xi Jinping proposed that "the decisive role of the market should be brought into full play, and the role of the government should be brought into full play". The "promotional" supervision model will continue to play an important role in improving supervision efficiency, improving rural e-commerce, and improving the competitiveness of agricultural products.

However, it should be noted that the "promoting" supervision model was born under the special policy background of poverty alleviation. The production of agricultural products in rural e-commerce is to meet market demand on the one hand, and to meet political requirements on the other hand, so it has dual characteristics of politics and economy. In the context of poverty alleviation, the government's motivation to supervise rural e-commerce agricultural products is not only the "incentive motivation to pursue economic indicators" in the traditional "promotion championship"[8], but also the pressure motivation to avoid political accountability in the "poverty alleviation battle". The specific performance of the former includes: giving full play to the leading role of leading companies, actively cooperating with well-known e-commerce platform companies, and evaluating government officials based on the number of online stores and sales. The latter is embodied in layers of responsibilities for consolidation, the "top-in-command" responsibility system, and various "one-vote vetoes", which together constitute the

fundamental driving force for the emergence and development of the "promoting" regulatory model. Poverty alleviation has sent high-quality governance talents to each poverty-stricken village through mechanisms such as dispatching the first secretary and appointing a person in charge of assistance. These talents belong to external dispatch personnel in management, and are "foreign personnel" for rural society. At the same time, they have mastered a lot of resources and powers endowed by the system, which has opened up the "last mile" for the implementation of government supervision policies to village-level cooperatives, and reduced the possibility of policy resistance, policy replacement and policy perfunctory of rural cooperatives to grass-roots government supervision. These have become important conditions for the "promotional" supervision model to promote the development of rural e-commerce.

In a broader sense, in the "promoting" regulatory model, the relationship between grassroots government governance and market players is dynamic. It contains multiple goals such as promoting farmers' poverty alleviation and increasing income, promoting local economic development, and improving the quality of agricultural products. This may imply a logic, that is, in rural e-commerce, the logical starting point of the government regulatory system is not only to overcome market failures, but also to actively cultivate the market. Therefore, in addition to rural e-commerce, other rural industries (such as rural tourism, processing of specialty agricultural products, leisure agriculture, and specialty handicrafts) may also be applicable to the "promotional" regulatory model. This provides a new inexhaustible impetus for the continuous improvement of rural e-commerce.

REFERENCES

- [1] Chen X.H., Highlight the Key Points of Support and Enhance the Development Driving Capacity of New Types of Agricultural Businesses, Issues in Agricultural Economy, 2020, vol.11, pp.4-7. DOI: 10.13246/j.cnki.iae.2020.11.001.
- [2] ZENG X.H., On the Legal Application During the Enforcement of Food Safety Laws, Journal of Shandong University of Science and Technology(Social Sciences), 2018, vol.5, pp. 42-49. DOI: 10.16452/j.cnki.sdkjksk.20181023.013
- [3] LIU P., Chinese Food Safety Regulation: An Empirical Study on Regime Change and Performance Evaluation, Journal of Public Management, 2010, vol.02, pp.63-78+125-126.
- [4] LU J., SUN Y., GENG N., XU C.X., ZHANG X.Q., Problems of Food Safety and Establishment of Control Model in China, Journal of Food Science, 2010, Vol.31, No.05, pp.319-323.
- [5] WANG C.W., GU H.Y., Industry Environment , Supervision Intensity and the Choice for Credit of Food Enterprises in China: Analysis Based on Incentive Compatibility Constraint Conditions, JOURNAL OF BUSINESS ECONOMICS, vol.262, No.8, pp.18-25. DOI : 10.14134/j.cnki.cn33-1336/f.2013.08.004.
- [6] LIU Y.P., WEN J., Beyond the Reconstruction: Toward Adaptive Regulation, Journal of Central China Normal University(Humanities and Social Sciences), 2018, Vol.01, pp.10-16.
- [7] HU Y.L., Market Regulation in China: Starting Point, Key Issues and Research Subjects, Market Regulation in China: Starting Point, Key Issues and Research Subjects, 2019, vol.05, pp.22-28. DOI: 10.19735/j.issn.1006-0863.2019.05.03.
- [8] ZHOU L.A., Administrative Subcontract, Society, 2016, vol.34, pp.1-37. DOI: 10.15992/j.cnki.31-1123/c.2014.06.001.