

# **Prospects for Rural Poverty Alleviation in the Philippines: Applicability and Implications of China's Taobao Model**

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## **Abstract**

Positive rural development is an integral path in the alleviation of rural poverty. China's experience with Taobao Villages is to deploy e-commerce to initiate growth in the rural sector. These villages, with their relative success in harnessing the potential of e-commerce in rural China, have served as a multidimensional and inclusive growth model for rural poverty alleviation. Led by the private sector and supported by the state, it has empowered growth in the rural areas where entrepreneurs are encouraged to participate in China's increasingly digital economy. The paper provides reflections on the persisting pursuit of rural poverty alleviation in the Philippines and analyses the feasibility of its implementation in the Philippines. Whilst citing the enabling effects of the Taobao Villages which flourish in China, the paper argues that several key issues need to be addressed if it were to be adopted in the Philippines. In general, the Philippines needs to redefine its rural development goals, examine the root causes of its various constraints such as policy and institutional fragmentation, and there is an urgent need to improve its institutional and economic support capacity. These are prerequisite conditions which will enable the Taobao Village model to be applied in the Philippines and contribute towards rural poverty reduction.

**Keywords:** Philippines, China, rural poverty alleviation, rural development, Taobao Villages

## Introduction

Rural spaces, people, communities, and activities are often overlooked in the context of development. In the past, industrialisation and urbanisation were perceived by many developing countries as the prescription for economic growth and national development. As these were pursued vigorously, the world has become less rural and has been increasingly so since the 1960s. The United Nation's *World Urbanization Prospects* noted the world's rural population was 45% in 2018, and urbanisation rate was projected to continuously increase especially in Asia and Africa (United Nations, 2018: 1; World Bank, 2021a). Despite the belief that urbanisation spurs human development and progress, it has also produced varied results and setbacks (Turok & McGranahan, 2013).

Various pressing challenges continue to exist in the rural areas in developing countries where many people rely on subsistence agriculture for a living and are most vulnerable to persisting poverty. From the 1960s, the world community has maintained a keen interest in rural development which features as an essential element in the concept of development and has emerged as a distinct focus of scholarly research. The World Bank (1975: 3) defines rural development is "a strategy designed to improve the economic and social life of a specific group of people—the rural poor." According to John Harriss (1982, as cited in Ellis & Biggs, 2001), rural development has been framed as a new strategy for development, and has become a focus for development policy (implying state intervention), entailing a broader process of change in rural societies.

The concern of the Organisation for Economic Co-operation and Development (OECD) over rural development can be clearly seen from its definition statement that it is "a broad notion encompassing all important issues pertinent to the collective vitality of rural people and places" (OECD, 1990: 23). Kearney et al. (1994: 128) however defines the rural development conceptually as "a multi-dimensional process that seeks to integrate, in a sustainable manner, economic, socio-cultural and environmental objectives." Sustainability and quality of well-being were also emphasised in the definition of rural development offered by Malcolm Moseley (1996). Rural development, hence, has been re-conceptualised through the years as the social goal and strategy of transformation towards attaining developmental objectives in the countryside. A consistent theme in the evolution of these definitions is the target of a specific geographic area (rural) and the use of multisectoral, multidimensional, and interdisciplinary approaches. Against this backdrop, rural development remains an important topic to explore, given its relevance in the international and national development agenda including rural poverty.

## Rural Poverty

One of the core goals of rural development is addressing poverty. Poverty must be understood in its complexity. It manifests itself in an individual's lack of access and resources to meet basic

needs and is related to poor economic growth and performance as well as inequality (Khan, 2001; Roser & Ortiz-Ospina, 2013). It is multidimensional in the economic and social contexts. Patrick Commins (2004) characterised poverty with an element of “invisibility” accounting for other and hidden dimensions of what can be considered as being poor. It differs across varied social dimensions such as age, race, gender, location, access, sources of income and opportunities.

Until a few years ago, World Bank data shows that despite considerable global efforts to reduce poverty, about 9.3% of the world’s population had remained poor and lived below U.S\$1.90 a day -- defined as the international level of extreme poverty (World Bank, 2017). Poverty also varies across countries, and every country defines it according to its own national standards. In the early 1990s, countries in Sub-Saharan Africa, East Asia, and South Asia were classified as having widely “global extreme poverty,” a terminology used by Roser and Ortiz-Ospina (2013). Since then, such extreme poverty has declined, notably in China and India, the world’s two most populous countries which once had an extremely high level of poor population comprising almost 80% of the global poor. Both China and India have each by now lifted over a hundred million of their nationals out of extreme poverty. Countries in the Sub-Saharan Africa have also made significant progress in this aspect but due to their rapid population growth, they have remained in the backwater of persistent and increasing extreme poverty (Castañeda et al., 2020; Kharas et al., 2020).

Poverty has remained a largely rural and agricultural phenomenon in the Asia and Pacific Region, despite its recent dynamic growth that affects mostly the young (Roser & Ortiz-Ospina, 2013; Banerjee & Ng, 2019). In the *2016 Rural Development Report* of the International Fund for Agricultural Development (IFAD) where China and the Philippines were cited and analysed as two of the nine case studies, it concluded that structural transformation was deemed a critical factor in addressing the rural poverty issues and that “policies, institutions, and investments are fundamental” to the speed and inclusiveness of rural transformation (IFAD, 2016: 106). Structural transformation includes land reform, rural investments, and sectoral policies in favour of the rural poor as they have great potential to contribute towards the sustainability and equitable economic growth and development.

### **A Comparative Perspective on Rural Poverty Alleviation**

China’s particular experience in handling poverty is unique and impressive. Since its reform and opening-up in the early 1980s, the country has made historical success in lifting millions out of poverty through shifting from a centrally planned economy to a market economy, and implementing economic reforms coupled with decentralisation of power. At the core of this strategy is the strengthening of the autonomy of rural households to increase their income. Two of the key

interventions during the early stages of reform were the dismantling of the collectivist People's Commune system (Bikales, 2021) and the provision of government incentives and investments in agriculture. Essentially, the reforms have brought immediate and positive results. During the first phase of reform from 1978 to 1984, China increased its agricultural productivity by 47% (Zhu, 2012). Improvement in food supply had enabled the country to shift from its agrarian roots to other industries, ushering in the next phase of China's development. However, successes have also revealed new critical challenges such as structural problems and imbalances in the economy, rising unequal distribution of wealth and a widening rural-urban divide (Bikales, 2021; Yueh, 2007).

In essence, China's rural development must be understood in the context of its rapidly changing economy. During the period from 1979 to 2003, as China strengthened its participation in the growing global economy, it achieved rapid economic growth at an average of 9% to 10% annually (Yao, 2020). In the rural areas, there was a dramatic decline in the number of its poor from 250 million in 1978 to about 100 million in 1989 and decreased further to 30 million in 2000 (Fang et al., 2020; Luo, et al., 2020). Such an achievement at a rapid pace is recognised by the international community and it provides a useful lesson for developing countries such as the Philippines.

While exhibiting key structural differences such as the size of the economy, demographics, competitiveness, and development trajectory, among others, China and the Philippines provide an appropriate comparative perspective, though each is likely to have differing conceptualisation and approaches to addressing rural poverty. China is deemed relatively successful in reducing poverty, and its decades-long experimentation with success has set an example for developing countries such as the Philippines to learn and to find their own appropriate approaches to rural development. In this respect, it would be pertinent to examine the status and the comparative perspectives of rural poverty in the Philippines and China and to scrutinise the role of China's Taobao model in the poverty alleviation drive.

## **Background and Method**

Reflecting on China's rural development experience, this study will examine the emergence of Taobao Villages and its role in addressing rural poverty. The Taobao Villages emerged in 2009 in perhaps what can be described as a new form of operations of township and village enterprises (TVEs). It is composed of households participating in China's increasingly digital economy and capitalises on the developing of e-commerce in the countryside (World Bank & Alibaba Group, 2019a). Taobao adopts and participates in the business-to-consumer (B2C) retail model of the Alibaba Group, a leading multinational company in China, through its internet marketplace. As defined by Alibaba's research arm, AliResearch, a Taobao Village is composed of rural e-retailers managed administratively by individual villages (AliResearch et al., 2019).

The Taobao Villages foster entrepreneurship for rural residents and returning migrants. The emerging literature on the Taobao Villages has brought to the discussion its role in affecting inclusive rural development. Banking on the potential of China's growing e-commerce sector, the Taobao Villages exemplify how China has adopted a multidimensional rural development strategy to alleviate rural poverty and rural-urban disparity. Hence, the focus is to analyse how Taobao Villages have flourished and been used as a rural development instrument in China. More importantly, our analysis will identify whether the Taobao model is feasible and an effective instrument in poverty alleviation in the Philippines. It is hoped that this study will contribute to the growing rural development literature in general, and will be useful for students, scholars, and policy makers, in particular.

Due to the Covid-19 pandemic restrictions, this research was conducted using secondary sources derived from databases at OpenAthens, and through Google Books and Google Scholar. Other news articles or features and official documents and communications were also gathered and downloaded using the Google search engine from credible sources.

The discussion and analysis are divided into three main sections. The first provides a background on the Philippines' rural areas and an overview of its rural development efforts. It aims to introduce the Filipino rural poor and outline the strategies that have been implemented to improve their well-being. The next section is an overview and analysis of China's Taobao Villages as a rural development strategy, comprising a brief historical evolution of this model from an unknown to become the main impetus of rural development. The last section delves deeper into the intricacies of the Taobao Village model and provides an analysis of its applicability in the context of the Philippines.

Highlighted in this section are the factors that have to be considered, the opportunities and challenges of its adoption. Noting the potential and challenges of adopting the Taobao Village model in the Philippines, the paper argues for the opportunities that it presents for the Philippines. The study will propose policy recommendations in support of the Taobao Village model's conditional applicability in the Philippines.

## **Rural Development Problems and Strategies in the Philippines**

The Philippines has struggled to sustain its development from the 1960s to the present when most of the Filipino poor have remained unskilled rural labourers (Booth, 2019; Warr, 2006). Like Warr (2006), Chaves (2009) also noted that while industrialisation based on an import-substitution strategy for the economy promoted development, it did little to advance the welfare of the rural poor. Instead, it was the growth of agriculture and services sector that have contributed to poverty reduction (Warr, 2006).

As of 2020, 50.1% of the Filipino households were classified as middle-income earners, 47.7% as low-income households, and 2.2% as high-income earners. Most of the rural folks who made up 52% of the national population were classified as low-income earners (Albert et al., 2020; World Bank, 2021b). In 2018, the rural poor were notably farmers and fishermen, and mostly found in the Bicol region (at the southeastern end of Luzon Island) and in Mindanao (the second largest island). The causes of poverty were associated with domestic armed conflicts, landlessness and severe underemployment (Balisacan, 1993:543). Against this backdrop of rural poverty, we will address next the rural development strategies aimed at helping the rural poor.

The Philippine government has long recognised the seriousness of its rural poverty problem, and has thus set up many development programmes to implement long-term rural development. These programmes were planned with a “broad rural-development perspective instead of a narrow agriculture-sector focus” (Dionisio & Reyes-Cantos, 2001). However, regardless of the strategy’s sound design, rural poverty has persisted and is expected to get worse in the face of pressing challenges such as the pandemic, climate change and environmental degradation, and population growth, among others.

Scholars such as Bautista (1994), for example, identified the problems encountered in the implementation of the poverty alleviation policy. Though agricultural growth was imperative, as he argued, the support of an expansive non-agricultural activities was important for a sustainable rural development policy. For him, the government must help strengthen rural non-farm enterprises. This view was supported by the OECD (2005) and Intal and his research partners (Intal et al., 2011). During the 1980s and the 1990s, the Philippines did apply the policy of industrial relocation to its rural areas and this had achieved a limited extent of success in bolstering rural economic growth and reducing rural poverty (Gerson, 1998). This strategy essentially expanded job opportunities and broadened income base in rural areas. This was similar to China’s attempt to develop TVEs which led to the setting up of non-farm enterprises.

In the Philippines, however, institutional reforms introduced since the 1980s have been either incomplete, disrupted, or continuously challenged, and this has hindered the sustainability of its effective implementation (Briones, 2013). Barriers of implementation have come primarily from the problems of land reform, support services to sustain and increase productivity and efficiency in the agricultural sector. Another problem was the changing of political leadership virtually every six years which often modified development priorities. On the other hand, due to budgetary constraints, local government units were often faced with low capacity to implement rural infrastructures and support rural development projects designed to improve rural incomes and to reduce poverty (Balisacan & Hill, 2007).

Agrarian reform in the Philippines moreover was found to be persistently problematic. Despite the enactment of the Agricultural Land Reform Code in 1963, followed by a more Comprehensive

Agrarian Land Reform Program (CARP) in 1988 (Department of Agrarian Reform, 2020), their objectives aimed at liberating small farmers against the dominant control of big landlords have yet to materialise (Fuwa, 2000). Lack of an effective legislative reform has been found to be the major bottleneck, and it is the Philippine Congress, which exercises the power in resources allocation and budgeting, that has to be won over to with its support (Dionisio & Reyes-Cantos, 2001).

In summary, besides budget constraints and lack of legislative reform, the disappointing performance of the Philippines in its rural development strategy is attributable to the lack of lobbying to Congress, decentralisation of power to the local level, and representativeness of the peasantry (Balisacan et al., 2004; Andriesse, 2017). Consequently, major installation of infrastructure has not been provided and a conducive business and labour market environment has not been built up to drive the poverty reduction efforts (Tuaño & Cruz, 2019). Finally, there is a need to reinforce and define an appropriate conceptualisation of what is best for the Philippines' rural development, identifying the key workable issues and drivers of change and to act on them as top policy priorities (Hayami & Masao, 2000; Gibson et al., 2010).

While national level industrialisation is vigorously pursued in the Philippines, the Filipino rural poor have remained largely dependent on their underdeveloped agriculture and fishery sectors. The rural poor are not a homogeneous group and their potential for progress varies dependent on available opportunities. Being mostly unskilled, their poverty persists because of limited land resources, low agricultural productivity, and limited economic opportunities. In this context, it is worth referring to the poverty alleviation efforts of China to gain some insights from their experience.

### **Addressing Rural Poverty and Development in China**

China has faced innumerable and complex challenges similar to those of the Philippines. In terms of structural, institutional, and conceptual issues, China went through land reform during the period 1949–1952, collectivised co-operatives during 1955–1959, and People's Commune during 1959–1978 (Gurley, 1975; Harriss, 1982). Since the reform beginning in 1978 until the present, China has tackled its rural problem and poverty with an unwavering commitment.

When China's Open-Door Policy was implemented in 1978, it has dramatically transformed the country from an underdeveloped country to a middle-income developing country. Its urbanisation rate rose to nearly 50% in 2009, the year which saw the rural population decline from 89% in 1949 to 40% in 2020 (Textor, 2020; Xinhua, 2019a).

In 2012, during the 18th Party Congress, China's President Xi Jinping pledged to make China a "moderately well-off society" through key reforms. Xi ushered in his leadership with a slogan known as the "Chinese Dream" (*Zhongguo meng*) which aims at rejuvenating Chinese economy



and sharing overall prosperity among all the people. China's problems with rural development were articulated strongly in the mid-1990s through a historical examination of its modernisation. The focus was to address the three agricultural problems pertaining to the peasantry, rural community, and agriculture (Wen & Yang, 2020; Chen et al., 2017). Tackling these problems became a priority of the Chinese leadership that saw the need for a holistic and systematic approach to resolve the longstanding rural poverty issue in China.

Resolving the three agricultural problems means bringing about agricultural modernisation, improving the social and economic conditions of the farmers, and providing basic infrastructure in the rural areas. Beginning in the 2000s, China added a focus on dealing with the urban-rural inequalities, and an umbrella programme known as "Building a New Socialist Countryside" was launched. The policy measures aimed to modernise infrastructure and agriculture to build new villages and increase rural incomes while supporting the rural co-operative healthcare system, the social services system for unemployed rural workers (Ahlers & Schubert, 2009). This goal was further embedded in the Strategic Plan for Rural Revitalisation (2018-2022) issued by the Central Committee of the Communist Party of China (CPC) and the State Council in 2018 (Xinhua, 2018).

The progress in poverty reduction has been remarkable. The number of rural poor decreased from 765.42 million in 1980 to 462.24 million in 2000, and further reduced to 55.75 million in 2015 (see Fang et al., 2020). From the early 1990s to the mid-2010s, about 12.4 million people in China had been lifted above the poverty line (Ministry of Foreign Affairs, 2017). The performance of China in poverty alleviation is recognised globally. In Asian Development Bank's 2016 report, China's population under poverty had been reduced to 3.1% in 2017, to 1.7% in 2018 and 0.6% in 2019 (ADB, 2018, 2019, 2020, 2021). A key source of success was attributable to the shift of rural labour to non-agricultural sectors (OECD, 2005: 179). Farmers' improvement in household disposable income, remittances from family members working in cities as well as living allowance and medical care provided by the government were deemed to be considerable (Fang et al., 2020).

One cannot discuss rural development in China without briefly introducing the emergence and role of the TVEs. The TVEs, compared to state-owned enterprises (SOEs), are rural community enterprises that are managed by the local government. During the 1980s and 1990s, the TVEs were classified into four levels: township, village, households, and individuals (Sun, 2000). The TVEs are distinct from the SOEs in the sense that they are smaller, managed by the local cadres and residents. Having more autonomy, they are more outward-oriented than the SOEs, but have limited access to financial and technological resources (Fu & Balasubramanyam, 2003). Yet, TVEs have played an important role in addressing rural poverty.

China's TVEs have developed rapidly following economic reforms. They have helped to diversify the rural economy from mainly agricultural to off-farm activities, and served as a vital



economic growth engine in 2000 by contributing around 30% of the national GDP (Shang, 2019; Liang, 2006: 236).

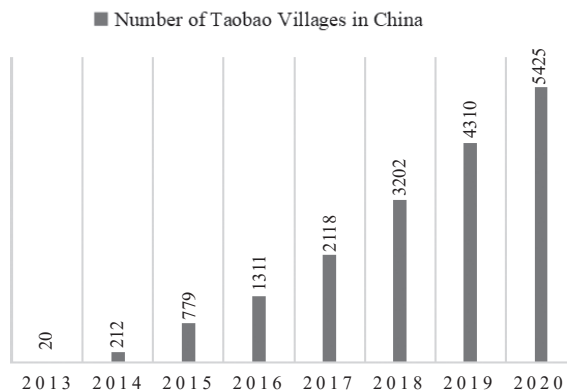
To enhance the competitive capacity of TVEs, many that were state-owned TVEs have been privatised and started to work with city-based industries forming clusters to gain a larger market share (Naughton, 2018). Differential performance of the TVEs has nevertheless contributed to the increase in interregional disparities in China. Those that face difficulties have to rely on state support or to close down (Ying, 1999; Ito, 2002; Fan et al., 2011). In line with the perceived role of the TVEs in China's rural development, we may examine the role of the Taobao model in the efforts to reduce the poverty of villages.

### The Taobao Villages

Taobao Villages are essentially rural e-commerce hubs. They feature the support and business model of Alibaba which encourages farmers to market their products, both farm and non-farm, online via Taobao's platform. To be regarded as a Taobao Village, the village cluster must have at least 100 active online shops, making an annual volume of e-transactions of over 10 million yuan<sup>1</sup> and having at least 10% of its households actively engaged in e-commerce (Xinhua, 2019b). In 2014, 19 Taobao Towns in China were classified and each of them must have at least three Taobao Villages (World Bank & Alibaba Group, 2019). From 2013, Taobao Towns and Villages have grown rapidly. Growth of the Taobao Villages was exponential from 2013 to 2015 but the rate of growth has declined in recent years (Figure 1).

**Figure 1**

*The Growth of Taobao Villages in China from 2013 to 2020*



Note: AliResearch et al. (2019; 2020).

Taobao Villages are found mostly at the periphery of urban areas or the edge of urban regions in the Yangtze River Delta. Taobao Villages have a synonym of “revitalisation on the edge” as they are strongly dependent on business linkages between villages and cities. Those closer to large and economically dynamic urban areas have better access to the market to expand their e-commerce business.

Alibaba’s e-commerce platforms, Taobao.com and Alibaba.com, have strong influence over Taobao Villages’ operations with an efficient online platform for business transactions. Free membership is offered to qualified Taobao Village enterprises which are supported with free registration, access to financial loans, product development and skills training in three key ways. First, operations are highly driven by data provided by consumers and participating Taobao Villages as producers and suppliers. Second, Taobao’s consumer data collection provides users with access to local product features and prices, and potential global market consumers. Conversely, global market and consumers are allowed access to China’s increasingly large digital market. Lastly, Alibaba as a service provider is able to sustain its business and maintain the platform through small fee charges and commercials (Lulu, 2019).

### **Key Features of the Taobao Villages**

There are ways by which a Taobao Village is formed. The first is through the investment of non-local Taobao entrepreneurs who are attracted by the improved rural infrastructures to take advantage of cheap labour and storage fees in the villages. The second is through the involvement of local residents who establish e-commerce outlet. Taobao’s rural e-commerce tends to generate higher revenues by minimising transaction costs. The success of the early e-commerce outlets subsequently encourages others to follow (Luo, 2018; Liu et al., 2020).

Most e-commerce owners are relatively young and relatively well-educated including women. Their business is generally small and mostly operated with the help of family members and relatives. Many bigger ones employ both local residents and migrant workers from elsewhere (Chen, 2010). In a survey conducted by Peking University, it was found that households that participate in Taobao business are seen to enjoy a higher social status and earn higher incomes, and they too are optimistic about their future (Luo, 2018). In the case studies by Kinsey (2000) and Hong (2016), it is shown that Taobao Villages have empowered local e-commerce entrepreneurs to systematically participate in market competition and to make profits.

The success of Alibaba’s Taobao model must be attributed to the support of the Chinese government from the central to local levels. The state clearly recognises its economic and social contributions to rural development and its potential as a means to help achieve the national goal of poverty reduction (Li, 2017; Zhu, 2017). Through the e-commerce platform, the entire rural

economic production and supply chain process is rendered more effective than before. The platform helps to regulate business operations, provides capability-building initiatives to support logistics and infrastructure development, and nurtures skills and talents (Wei et al., 2020).

The Taobao model also provides a variety of services such as education, infrastructure, and technologies. Basic education on e-commerce and online training is provided for rural entrepreneurs. Local governments actively seek rural infrastructure investments and development in partnership with the private sector to improve warehousing, logistic systems, the Internet, and telecommunications. The improvement of rural infrastructures helps to keep down transaction costs and improves the efficiency of production (Lin, 2012).

Lastly, Taobao participation is encouraged through tax incentives and subsidies offered by credit and marketing co-operatives. Local entrepreneurship skills in specialised markets are also provided to face rising market competition (Wu et al., 2016; World Bank, 2019). Building industrial parks is another way to harness the potential of rural economies and enable sharing of e-commerce resources (Wrigley & Currah, 2006; Li, 2017).

Information and Communication Technologies (ICTs) play an important role in developing the Taobao Villages, and successful enterprises are usually those that operate in a conducive e-commerce environment (Luo, 2018). ICTs facilitate interpersonal, information and knowledge exchange unrestricted by time and space (Wu et al., 2016). In areas where ICT development is hampered by the lack of significant capital investment or by the low level of application due to lack of digital skills of the rural population, affordable training sessions would usually be organised to raise digital literacy and to provide instructions on the sale of digital products (Kasimov et al., 2021).

During the pandemic in the past year, Taobao Villages set up live-streaming platforms such as Douyin, JD Live, and Taobao Live to link consumers with suppliers in China (Cheong, 2020). With this new platform, Alibaba intends to train 200,000 farmers to conduct online sales via Taobao Live (Cheong, 2020). Alibaba has indeed taken part in capacity-building and skills training for entrepreneurship and has made their platform more interactive with the business sector. These efforts demonstrate how Taobao Villages can respond to the changing dynamics of the market and how they are able to maximise various communication channels and platforms available in the market.

Capitalising on the development of various technologies, China made a successful transition to rural e-commerce with the emergence of the Taobao Villages in 2009. Cognizant of the influence of ICTs in the global economic landscape, China has since been experiencing rapid development of e-commerce that has enabled rural residents to become entrepreneurs (Lele & Goswami, 2017). Taobao Villages sell agricultural products, handicrafts, manufactured goods, and other local

specialities, and some villages have specialised in certain goods and become best-sellers in the cluster of products they have chosen. In Yiwu county of Zhejiang province, there are 104 Taobao Villages marketing garments, and in Suining county of Jiangsu, 51 Taobao Villages are actively involved in furniture making whilst Shuyang county produces flowers and nursery seedlings for the market (Lulu, 2019).

In 2019 alone, Taobao Villages across China generated nearly 700 billion yuan in profit (Wang, 2019). Understandably, China's Taobao e-commerce programme has contributed substantially to poverty reduction through employment and revenue generation in this newly emerging digital e-commerce. The Taobao model has also countered challenges. Some entrepreneurs have cited the high cost of marketing, increased competition in an already saturated market, and the need for constant skills training of Taobao workers (Luo, 2018). Lack of access to finance has also been cited, forcing many entrepreneurs to take up informal loans from family members and other relatives.

### **Feasibility of the Taobao Model in the Philippines**

China's Taobao Villages is an example of how it is possible to implement rural development strategies to contribute to poverty alleviation. In countries where the socio-political context is sharply different, one must examine its feasibility in terms of local conditions such as the spirit of indigenous entrepreneurship, the capacity of state institutions and the potential of public financial support. As said earlier, rural poverty in the Philippines is characterised by the large numbers of low-income earners, general lack of alternative income sources, low agricultural productivity, poor rural infrastructure facilities, and limited government support to spur rural entrepreneurship. Despite promises and rural development plans drafted for rural revitalisation, the Filipino government's commitment and actions are seen to be minimal. As such, this study argues that the prerequisite should first be based on creating conditions and opportunities before the Taobao model could be adopted in the Philippines.

### **Opportunities**

In the Philippines, the institutional framework that supports rural development through various strategies is already available. Collaborative mechanisms that prove useful in the case of China will also play a critical role in the Philippines. The country's National Convergence Initiative for Sustainable Rural Development of the Philippines (NCI), for example, provides an opportunity to introduce strategies similar to a Taobao Village model that harnesses the important role of various institutions in addressing rural poverty (Bansal, 2016). The NCI is specifically institutionalised through the Joint Memorandum

Circular (JMC) No. 01 Series of 1999 to direct various governmental departments to harness their resources to address specific and strategic rural development issues (Limbo, 2019).

This NCI platform co-ordinates with national government agencies such as the Department of Agriculture, the Department of Agrarian Reform, the Department of Environment and Natural Resources, and the Department of Interior and Local Government to work towards poverty reduction (Limbo, 2019). In 2004, the NCI was expanded and adopted by other national agencies. It introduced several community-based programmes and projects, such as the Sustainable Livelihood Program led by the Department of Social Welfare and Development (DSWD) in co-operation with the Department of Trade and Industry. The co-operation mechanism among government agencies for rural development needs to be strengthened. This will support the effective facilitation and development of rural enterprises (Gibson et al., 2009).

It is important to understand and nurture the complex yet interdependent roles of the Filipino governmental departments and the private sector in rural development. In the case of China, the state, the local government, and Alibaba have well-defined roles in its rural poverty alleviation efforts. In fact, the adoption of public-private partnership where the respective role and benefit sharing were already defined, has been in existence for a while to focus on public works, public utilities, and social services (Inocencio et al., 2018). Both the private sector and the government benefit from pooled and accessible resources, access and exchange of technology and skills, risk sharing, and opportunities for investment and business development (Philippine Build-Operate-and-Transfer Law, 1994 and its Revised Implementing Rules and Regulations, 2006; 2012).

If co-operation between the private and public sectors could be improved, there is the opportunity to diversify rural enterprises and improve the competitiveness of local and regional entrepreneurs. As e-commerce is highly dependent on logistics and connectivity, the private sector is vital if it initiates digital access, ensuring the affordability and usage reliability to e-commerce users. Yet, to date, this has remained a key barrier to the development of e-commerce in the Philippines, specially when the Philippines has one of the slowest and most expensive Internet connections in Southeast Asia (Gonzales, 2015; Lawrence & Tar, 2010).

As exemplified in the Taobao Villages model, it has produced an effective production and sales network which supports the business exchanges between producers and consumers, contributing as a result towards a more equitable redistribution of wealth. Hence, the internet space in this context must not be seen just as a virtual space, but rather a new “special” space carrying a socio-economic variable benefiting the objective of poverty reduction (Yan & Cai, 2020). At the present time, the Philippines’ digital economy is still at the infant stage of development, and is geographically concentrated in major cities and other urban areas. Daily transactions are still dominated by cash payments (BSP, 2017).

On paper, the Philippine government has already drafted an E-Commerce Roadmap for 2016–2022 to develop its e-commerce sector and promised support to developing digital infrastructure, investment opportunities, and innovation to facilitate rural-based enterprise penetration into the commercial market (Department of Trade and Industry, 2021). To address this, it is suggested that both the central bank and the private sector encourage financial education and foster trust in the financial system to address the challenges in the country's adoption of cashless transactions (Nair, 2016). The pandemic has also presented an opportunity to encourage an appreciation and the development of the e-commerce sector in the Philippines.

### Challenges

As argued above, the Taobao model has led to market and economic transformation in Chinese villages. Along with such transformation, rural infrastructures and logistics have been improved. Essentially, by creating a conducive environment for the rural economy, access to social welfare and goods supply has been expanded to the rural residents. Participating entrepreneurs have also raised their social status and farmers have access to a better quality of life. This is a critical area that the Philippines should aim at.

The Philippines should now focus to improve quickly its agricultural transformation in rural logistics, infrastructure, and digital connectivity towards building up an e-commerce as a driving force. Faced currently with limited diversification of rural activities and low productivity, natural resource degradation, and inadequate investment in technology and innovation (Brown et al., 2018), the country must overcome these challenges. In this sense, the Taobao Village model has presented itself as a good opportunity of change.

It is acknowledged that China has resolved after 40 years of reform its “Three Rural Issues” related to agriculture, rural villages and peasantry to a good extent in poverty alleviation. The process is a testament that China has consistently reconceptualised its rural development programmes and moved forward along its rural development goals on a sustainable and long-term basis. On the contrary, in the Philippines, the past rural development initiatives have been implemented as short-term measures. Rural development strategies moreover have differed in focus and budgetary support with changing leadership and administration following general elections every six years.

This has resulted in serious disconnections in implementation on the basis of long-term vision in the Philippines (National Economic and Development Authority, 2020). In addressing its rural poverty issue, the Philippines should also redraft programmes and projects geared towards the decentralisation of investments and more regional autonomy targeted at rural poverty alleviation. At the national planning level, the drafting and conceptualisation of rural development in the Philippines must be re-defined on a sustainable basis for its development path. Scholars, policy

makers, rural development practitioners, entrepreneurs and farmer representatives need to put together their thinking and ideas in organised discussion sessions.

### **Implications**

Rural poverty alleviation is believed to be able to enhance rural culture, education, health, and social security of the rural population in general, understood as invisible infrastructures or “software of rural areas” which can bring the status and dynamics of the rural sector to a higher level (Chen, 2010; Page & Pande, 2018). These essential elements must be embedded in the country’s rural development strategy. Moreover, the cultural tradition of the Filipino rural community in “mutual help” spirit should be given a leeway to exercise its collectivist capacity when Taobao mechanism is introduced. This is deemed as a more organic approach in the case of the Philippines compared to China’s more pronounced state intervention and state-led rural development.

The adoption of the Taobao Village model is feasible to complement the ongoing rural development strategies of the Philippines. Currently, there is potential for its adoption based on the Philippines’ development priorities such as manufacturing, connectivity, education services, agriculture, and financial services which have been poured into the regions where rural poverty persists. With lessons learnt from the Taobao Village model in China, the Philippines is in a solid position to avoid unnecessary mistakes and plan its own strategic measures based on its own specific conditions.

In this sense, it is imperative that the Philippines should minimise the widening gaps between the rich and the poor when rural economy takes off with its own Taobao programme. It is important to mention that China’s fast-growing and economically booming cities since the reforms in the 1980s have left the countryside deprived and marginalised. Though many rural Chinese have been lifted out of extreme poverty, the fruits of urban-led economic growth have not been redistributed equitably to all segments of the population. Based on its Gini coefficient, estimated at 50 as of 2013, China’s inequality is among the highest in the world, and characterised by enlarged gaps in education and skills within its rural and urban population cohorts (Jain-Chandra et al., 2018). With its rapid development that has caused social problems with its growth and unsustainability, China too has been forced to re-examine its own development path (Easterly, 2007; Ostry et al., 2018).

### **Conclusion**

Rural development has remained an important focus of many developing countries. While many continue to seek new strategies to revitalise their rural sector, China’s Taobao model which was set up in 2009 has shown promising results and captured the attention of other countries as a workable



model. Using online platforms, the Taobao platform has enabled rural households to participate in China's emerging digital economy and improve their income levels, complemented with improved delivery of rural social services and skills training as rural entrepreneurs.

The rural development strategy to address rural poverty exemplified in China's Taobao Villages can be adopted in the Philippine setting, with reservation that its applicability has to be considered in the Philippine context and capability of its institutions. Among the suggestions put forth in this paper include the re-conceptualisation of the Philippines' rural development programmes with in-depth analysis on why their implementation has been ineffective. Policies on rural development must address, for example, the fragmentation issues that derail rural development efforts. Institutional capacity must also be strengthened with effective economic support system be adopted to implement a rural development strategy incorporating elements of the Taobao Model. With the benefit of hindsight, the Taobao model which has resulted in rising disparity in China must be planned with care so that similar problems of disparity may be avoided or put under manageable control.

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