Land Use Policy 74 (2018) 240–247

Contents lists available at ScienceDirect

Land Use Policy

journal homepage: www.elsevier.com/locate/landusepol

Imbalanced ownership transformation and land use within an urban area: a case study of Beijing

Jiaming Li, Yuheng Li, Wenzhong Zhang, Jianhui Yu*

Institute of Geographic Sciences and Natural Resources Research (CAS), 100101, Beijing, China

A R T I C L E I N F O

Keywords:
Ownership transformation
Land use
Intra city

A B S T R A C T

Governments and scholars fail to agree on whether marketization has been promoted continuously in China, and it remains a controversial issue in China's gradual reform. To understand China's reform process, micro firm data from Beijing has been employed to investigate the changing shares in different ownership economies and their spatial pattern within the city. The findings are as follows. First, 2003 was a turning point in the process of China's reform, after which market power weakened. Second, the state-owned enterprise (SOE) sector is significantly closer to the central government than the private sector in Beijing. Contrary to popular belief, historical reasons were not decisive in determining the SOE location. Finally, immobility has made the collective economy unique and it even led to the recession of rural economies in China's interior after the1990s.

1. Introduction

Ownership transformation is at the core of the debate on the economic transition in China and other countries (Burawoy, 1996; Oi and Walder, 1999). Although China claims its economy has moved from command controlled to market-based since reforms began in 1978, controversies remain. For instance, Chinese officials assert that the government has promoted economic liberalism by relaxing market access for private and foreign enterprises. However, western countries have not granted China market economy status; the European Union (EU)denied China's market economy status in May 2016. Western mainstream media, such as the Economist, have even argued that "the state sector advances and the private sector retreats" (known as GuoJin Min Tui) has been on the rise in China (The Economist, 2011).

Different views have been proposed in the academic field. For example, Huang (2008) argued that China's ownership transformation and reform in the 1990s changed direction because of the recession in township and village enterprises (TVEs) and rural development. Most considered China's reform in 1990s as radical with far-reaching effects because of mass privatization of state-owned enterprises (SOEs) (Cao et al., 1999; Yusuf et al., 2005; Jefferson and Su, 2006). Industrial sector strategies drafted by governments from 2002 to 2005 authorized a new wave of increasing nationalism, while maintaining a more market-oriented focus than traditional plans (Naughton, 2011). Johansson and Feng (2016) argued that access to debt led to "The state advances, the private sector retreats" after the crisis in 2008.

An imbalance in ownership transformation has likely led to these contradictions. It is challenging for countries with a vast areas and large populations, such as China, to promote reform at an equal pace spatially and populations. The wheel of reform may go backward in some areas and times. Burawoy (1996) hypothesized that transformation process would be uneven as industries adopt unique strategies. In China, investigations using aggregated data and province or city scale overlook small medium-sized enterprises (SMEs). However, SMEs are also an important for understanding China's economic reform. Compared to studies at the macro level, micro level research can detect transformation imbalance, and thus provide a more nuanced understanding of China's gradual reform process.

Beijing is a good case due to its politics, economy, and geography. The city, as the capital of China, is sensitive to shifts in political orientation. As the economic center in northern China, Beijing's industrial system includes almost every sector; therefore, the impact of reform can be comprehensively examined. Furthermore, Beijing is a typical city in land use and spatial structure; many cities take Beijing as a model.

This study will improve the understanding of China's reform by focusing on differing ownership transformation at the micro level. Here, enterprise ownership is regarded as a good proxy for China's economic transformation: public enterprises, such as SOEs, represent government power, while non-public enterprises, such as foreign companies, represent market force. Development and policy intentions are revealed by tracing and comparing changes of industrial space within the city in the process of transformation. These micro level findings should aid in understanding China's reform process.

* Corresponding author.
E-mail addresses: lijm.12b@igsnrr.ac.cn (J. Li), liyh@igsnrr.ac.cn (Y. Li), zhangwz@igsnrr.ac.cn (W. Zhang), yujh@igsnrr.ac.cn (J. Yu).

http://dx.doi.org/10.1016/j.landusepol.2017.08.024
Received 11 January 2017; Received in revised form 16 August 2017; Accepted 22 August 2017
0264-8377/

2. Literature review

There are two distinct models for the transformation of command to market economies worldwide: drastic shock therapy and gradualism reform. Central and East European (CEE) countries and Russia paid a huge price for radical reform. In contrast, China, the only country that carried out a gradual transition, outperformed impressively. Because the objective of these two reforms is same, ownership transformation, the process is the key to determine success or failure of economic reform (Friedman and Johnson, 1995; Popov, 2007).

During the rapid industrialization of the Chinese countryside, TVEs attracted attention in the beginning of reform and opening (Burns, 1981; Nee, 1989; Putterman, 1997). Due to two important functions, preventing asset stripping and mimicking the efficiency of private enterprise, TVEs have been widely regarded as one of the major successes in reforming a socialist economy (Weitzman and Xu, 1994; Stiglitz, 2006; Long et al., 2009). Although most believe TVEs belong to the collective sector in terms of ownership, this is still disputable. For example, Huang (2008) argued that TVEs should be categorized as private sector, because the majority of TVEs are private (Private-run TVEs and Household Business) according to data from the Ministry of Agriculture in China. These data also show employment in private TVEs outnumbered collective employment until 1989; the 1980s were a golden age for TVEs. Therefore, most TVEs were public sector from an ownership perspective, despite the popularity of household businesses during the rapid TVEs development period. Furthermore, TVEs are more like private enterprises than SOEs from management and operation perspectives. As Wei(2004)said, “TVEs are owned collectively but operated largely outside state planning”. Therefore, this collective economy is unique in China’s transformation process.

The great TVE performance under a unique and mixed ownership structure provided confidence for ownership transformations in urban areas. Most scholars agree that SOEs privatization after the 1990s was more profound (Cao et al., 1999; Megginson and Netter,2001; Ho and Young, 2013). The rising burden of SOE deficits, combined with the relaxation of political and ideological constraints, forced central and local governments to implement restructuring schemes in the state-owned sector in the late 1990s (Garnaut et al., 2005). Different from Russia and CEE countries, whereall businesses transitioned to private ownership, the Chinese government has adopted a somewhat ambiguous policy of “grasping the large and letting go the small” (*zhuadafangxiao*). Literally, this policy privatizes or sells parts of SOEs according to size. Due to large enterprises dominating some sectors, such policy has led to differences in privatization among sectors in China. Ho and Young (2013) found that, in the 1990s, this privatization strategy rarely impacted sectors providing infrastructure, important public goods and services, such as highway transportation and civil aviation, and high-tech industries. Naughton (2011) suggested that because individual sectors, such as automobiles and steel, were always dominated by government policy, China never openly embraced a program of SOE privatization. Aside from the work of Naughton (2011) and Ho and Young (2013), few scholars have made careful comparisons of sectors during the transformation process.

Spatial dimension is an important perspective for studying ownership transformation. Some researchers have focused on the geographic inequality of the transformation process. Wei (2004) argued that coastal regions experienced a more rapid transformation than interior provinces. Han and Pannell (1999) further suggested that high levels of privatization occurred in regions with a weak state sector. Huang (2008) divided China into the entrepreneurial, market-driven rural China and the state-led urban China. Many studies have emphasized the importance of federal direct investment (FDI)in structural differences in industrial ownership since the reform (Fan, 1995; Gipouloux, 2000; Huang, 2007). Existing studies have focused heavily on China’s macro-regions and provinces to understand ownership transformation and regional restructuring. Few researchers have investigated the processes and implications of ownership transformation at finer geographical scales. Based on the theory of urbanization of capital, Hu (2015) proposed that SOE capital has played a significant role in reshaping urban economic space. Some studies have shown ownership has some impacts on enterprise location within urban areas (Feng et al., 2008; Lin, 2015; Li et al., 2015). Researchers have also found complex patterns of transformation in China (Han and Pannell, 1999; Wei, 2004), but most studies have paid little attention to ownership transformation within a city.

Ownership transformation is a complex, nonlinear, and geographically and sectorally uneven process in gradual reform. Investigating the imbalance and change at finer geographical scale is required to understand China’s reform.

3. Study area and data

3.1. Study area

Beijing is the political center of China and an economic center in northern China. Before the founding of China, Beijing was a consumption city; after that, it became a manufacturing city with large SOE industrial enterprises established such as the Shougang Group — one of the largest steel enterprises in China. In 1970s, nearly all industrial sectors from bread factory to automobile factory can be found in Beijing. The industrial output of Beijing once surpassed Shenyang—the most advanced manufacturing city in China at that time.

Since 1990s, industrial structure of Beijing has changed dramatically due to the implement of Tuierjinsan strategy (i.e., retreat from secondary into tertiary industry). Tuierjinsan strategy promoted and even forced manufacturing enterprises in city center to migrate to suburb areas. The strategy has more significant impact on SOE enterprises than private enterprises. The relocation of enterprises contributed to suburbanization in Beijing in 1990s (Feng et al., 2008). Suburbanization, together with failure of the spatial control policy, led to a rapid urban expansion in Beijing after 1990s.

Eventually, Beijing becomes a monocentric city centered on Tiananmen Square with ring roads surrounded. Area within the 2nd Ring Road (the 2nd RR) is the core area, area between the 2nd and 4th Ring Road (the 2nd and 4th RR) is main urban area, area between the 4th and 6th Ring Road is peri-urban area and area outside the 6th Ring Road (the 6th RR) belongs to outer suburbs, as Fig. 1 shows. On the other hand, ownership structure has changed dramatically since 1990s. A large number of SOEs tried to build a modern enterprise system through separating from government, cooperating with foreign investment or even being sold off. Contrary to a sharp decline of 1.3 million in public employment in Beijing, the non-public employment was increased by nearly 1 million from 1990 to 2000. Industrial output of non-public sector was nearly twice that of the public sector in 2000. Therefore, Beijing, as a typical Chinese city, has undergone transformation in industrial structure, urban space and ownership structure since the reform.

3.2. Data and methodology

This study employed a unique plant-level dataset, covering 57 sectors and 540,698 enterprises with information on enterprise property.

According to enterprise registry information, there are more than 20 types of enterprise properties, such as SOE, collectively-owned enterprise (COE), foreign-invested enterprises (FIE), and share-holding enterprise (SHE). From an ownership perspective, these properties can fall into four categories: SOE, COE, mixed-ownership enterprise (MOE) and private or foreign-ownership enterprise (PFOE) (Table 1). SOE and PFOE are clear. The former, controlled by government, is a proxy for government power, while the latter is controlled by domestic or foreign individual investors, which represent market power. COEs and MOEs are complicated. Although COEs or TVEs are often operated largely