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Redefining Rural Collectives in China: Land Conversion and the Emergence of Rural Shareholding Co-operatives

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Abstract

As land conversion has led inevitably to socioeconomic dislocations in China, a variety of bottom–up reforms have been designed to mitigate and contain the resultant conflicts. This evolves the creation of a mechanism both to allow peasants to benefit from the increase of land value in the urbanisation process and also to redistribute interests to individual rural villagers. This paper focuses on on-going shareholding reforms which aim to clarify villagers' property rights under the current structure of collective ownership. Three cases best exemplify these issues: Wusha village in Guangdong, Qunyi village in Jiangsu and Daliushu village in Beijing. The comparison reveals divergent experiences of reform among landless farmers and how the adoption of property rights reforms has restructured the concept and organisation of rural collectives.

1. Introduction

China's high-speed industrialisation and urbanisation processes have led to widespread land conversion. According to the Ministry of Land and Resources, a total of 48.5 million mu (3.23 million hectares) of cropland was developed for other uses from 1991 to 2004.[1] This phenomenon has been most significant in the rural suburbs of major metropolitan areas. Legally speaking, China's land system allows for the conversion of agricultural land into urban uses only through the mechanism of state requisition, which compensates the farmers based on their annual agricultural output value.[2] Farmers, as land users and owners, are not allowed to sell their land in the market. In addition, due to the socialist legacy of collective ownership, rural land continues to be owned and managed by village collectives; the compensation fees are accordingly directed to village collectives, not individuals. Such collective ownership has been increasingly problematic to villagers in that individuals have no demonstrable right to the management and transfer of their

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collective property, nor do they have any say in the distribution of land-related compensation. Local disputes over land use rights are common and sometimes escalate into bloody riots.[3] Chinese scholars have warned that land-related disputes have become the major source of rural unrest in China (Yu, 2004).

It is important, however, to emphasise that the market demand has also stimulated the emergence of an informal market in rural land. In regions where the demand for land is high, rural communities have spontaneously broken the rules, undermining the notion that land for new construction must be acquired through the state requisition process. Rural villages have developed a variety of strategies to sell or lease their collective lands to outsiders for non-agricultural uses. It is commonly recognised that China's central government has adopted a severe policy with respect to land conversion to protect the country's precious yet shrinking arable resources since 1997 (Ho and Lin, 2003). Quotas to convert arable land into non-agricultural uses have become increasingly difficult to obtain for local governments. Nonetheless, it is a crucial fact that the bulk of the process of land conversion in the economically open areas had already taken place *before* 1997. Statistics from the Ministry of Land and Resources demonstrate that 26 430 000 mu of arable land were built upon between 1991 and 1996. In China's coastal regions, the peak period of rural villages selling or leasing their land to outsiders coincided exactly with this process of development. Concurrently, a series of experiments in bottom–up institutional reform was undertaken, beginning in the early 1990s, to facilitate the transfers of rural land. These experiments resulted in disparate patterns of land conversion in various different localities. Therefore, it is important to ask, how do rural villages sell or lease the land under existing institutional constraints? What kinds of institutional experiment have been initiated and how can we understand them in their specific socioeconomic context? And, finally, what impact have these transfers had on village organisations?

Given the fact that village collectives are the legal owners of rural land, they have become the major agents in this transformation of rural land institutions. The opening-up of an informal land market has entailed the organisational reconfiguration of rural collectives and the redefinition of the concept of 'collectives' itself. One of the most significant phenomena is the emergence of a kind of land-based rural shareholding reform which, although initiated in Guangdong, later spread in various forms to many localities in China. This paper focuses on the emergence of these land-based shareholding co-operatives, all of which aim to reallocate village land resources in pursuit of rural development, on the one hand, and to redistribute property-led interests to individual villagers, on the other. From an institutional perspective, these shareholding co-operatives are established to clarify villagers' property rights within current structures of collective ownership. This certainly offers important clues to understanding the transformation of rural property rights relations as market-oriented reforms continue to deepen in China. On a theoretical level, this paper aims to point out how the socialist legacy lends structure to the newly created market-oriented economy, showing how property rights arrangements are embedded in and evolved from pre-existing social contexts characterised by specific institutional constraints. Neo-liberal scholars and policymakers strongly advocate clear property rights as a basic enabling element for the development of healthy markets. Rather than assuming the universality of property rights as an operative category, this paper tries to demonstrate the *process* of bottom–up institutional reforms through which the very concept of property rights has emerged and evolved in China, and how the continuing redefinition of property rights reshapes the grassroots economy and local politics.

In order to demonstrate significant regional variations in the making of a new rural shareholding system in China, this paper examines the practice of land-based shareholding co-operatives in China's three major economic regions: the Pearl River delta in the south, the Yangtze River delta in the East and the Beijing metropolitan area in the north. This research project originated in the course of conducting fieldwork in 2004 for several other projects. Wherever I visited rural villages and grassroots governments, I found that what they were most occupied with was newly launched shareholding reforms. Land-based shareholding co-operatives have been established throughout China, but the core issues at stake in their reforms vary by region and their organisational formats are different as a result. Therefore, the three regions discussed here have been selected on the basis of their ability to represent different developmental paths in the post-reform era. In addition, I treat these regional shareholding reforms in the chronological order of their adoption (from the Pearl River delta in the early 1990s to Beijing in the early 2000s), in order to illuminate the temporal and spatial evolution of shareholding reforms across the country. Based on field work conducted from 2004 to 2006, I present three case studies: Wusha village in Guangdong province, Qunyi village in Jiangsu province and Daliushu village in Beijing. A comparison of these three villages will show variations in the land transfer practices of rural collectives in divergent regions at disparate levels of economic development.

This paper empirically analyses the emergence of rural land-based shareholding co-operatives in Guangdong, Jiangsu and Beijing in the context of urbanisation and industrialisation. The findings shed light on how property rights arrangements emerge and evolve in specific local contexts. I begin by outlining theoretical debates in the literature pertaining to China's land reform, with a particular focus on the role of collective ownership in shaping the path of rural development. I go on to discuss the specific institutional context whereby land conversion has led inevitably to socioeconomic dislocations and a variety of bottom–up reforms that have been designed to mitigate and contain the resultant conflicts. Finally, I will detail the practice of land-based shareholding co-operatives in three villages in Guangdong, Jiangsu and Beijing. The comparison will demonstrate how local reforms have emerged in different contexts to tackle different problems and thus how different co-operatives came to feature widely divergent property rights arrangements. The paper concludes by suggesting some of the implications of these local processes for institutional change in a wider context.

2. Literature Review

2.1 Land Conversion in the Context of Rural Collective Ownership

The most significant characteristics of China's land system lies in its binary urban/rural arrangement. According to the Constitution (revised in 1982), urban land is owned by the state and rural land by the rural collectives. In the wake of the introduction of market mechanisms into the land system after economic reform, scholars have studied intensively the emergence of a new land market (Ding, 2003; Ho and Lin, 2003; Xie *et al.*, 2002). Bounded by the urban and rural dichotomy, research on China's land system tends to fall into two separate camps: urban and rural. What has been neglected is the transformation of rural land into urban uses. Although increasing efforts have been made to map the spatial effects of urbanisation on the conversion of rural land to non-agricultural uses (Sun and Li, 1997; Hubacek and Sun, 2001; Xu *et al.*, 2000; Xu, 2004), these studies are mainly descriptive. The socioeconomic mechanisms which underlie this conversion and its various impacts on rural communities remain understudied. Ho and Lin (2003) and Tang and Chung (2002) have helpfully pointed out the prevalence of illegal uses of rural land. However, the term 'illegal' may obscure as much as it reveals, as the legal system itself is not fully formed and many grey areas and ambiguities inform the operation of these continually evolving informal markets. If we want to know how rural land resources are actively mobilised in the course of rural development and how informal markets actually function, then we must closely examine the specific characteristics of collective ownership in rural communities.

As Pei (2002) has pointed out, land-owning village collectives are indeed the primary agent of resource allocation in China's rural industrialisation process after economic reform. No matter whether rural enterprises are privately owned or government-owned, they have all been established on land which is collectively owned by the rural collectives, or what are commonly termed village collectives (*cun jiti*). The question remains, however: what exactly does collective ownership mean? Because the central government has repeatedly tinkered with the scale, scope and structure of village administration, who actually owns rural land has sometimes been unclear (Ho, 2001). Nor is it easy to ascertain who exactly represents the collective. These ambiguities with respect to collective ownership create loopholes in which local political élites can manoeuvre. Whoever holds the reins of power in a given village becomes the *de facto* owner of the collective property. The ambiguity of these property rights arrangements has indeed provided backing for cadre-led land expropriation and has often given rise to rural conflicts (Guo, 2001). The grassroots power structure, nonetheless, is in flux. Traditionally, village power blocs are closely linked to older kinship networks and/or the legacies of rural communes (Lin and Chen, 1999; Chen, 2004). The adoption of village-level elections since the 1990s also began to bring out new tensions between elected village heads and appointed communist cadres (Cai, 2003; O'Brien, 1994; O'Brien and Li, 1995). For rural villages encountering the challenges of industrialisation and urbanisation, 'who controls the land' will play a decisive role in influencing patterns of land conversion and the restructuring of the grassroots political economy. It is in this context that laying out a clearer definition of 'rural collectives' becomes critical.

2.2 Theoretical Question: The Reassignment of Property Rights in the Face of Local Land Conflicts

The rural collective ownership system, no matter how ambiguous, has evolved over time in response to market-oriented rural reforms. As Oi and Walder (1999, p. 6) have noted, reforms in China have proceeded by way of a gradual reassignment of property rights in the past two decades. Most research on China's property rights issues, however, has concentrated primarily on the restructuring of state-owned or collective-owned enterprises (Oi and Walder, 1999). The problem with this emphasis is that collective enterprises constitute only one dimension of the collective economic system. In the sphere of the rural land regime, bottom–up institutional experiments in the redefinition of the property relations of rural collectives have been critical in reshaping local socioeconomic structures; this is a process that has been seriously neglected in the English literature (Fu, 2003; Zhuo, 1999; Jiang and Liu, 2003, 2004). Oi and Walder have used the term 'local corporatism' to describe how a locality functions as a company (Oi, 1992, 1995; Walder, 1995). I tend to agree with their argument in the specific sense that, at the grassroots level, public officials are often important economic actors. I want to argue, however, that what have been overlooked in this 'corporatism' scenario are the internal tensions within these rural collectives. In illustrating the evolution of property rights arrangements, Oi and Walder (1999, p. 21) claim that these institutional changes result from the responses of local officials to the pressures of growth and competition. Yet, in fact, an equally important factor in spurring on change is the need to manage internecine conflicts within these rural communities. In the coastal regions in particular, and in the wake of the accumulation of wealth in the hands of rural collectives, the primary concern of community members has been the question of redistribution (Fu, 2003). These demands have stimulated the emergence of a variety of new forms of land-based shareholding co-operatives, in order to redefine in institutional terms the property rights of collective members.

This paper, by focusing on these emerging rural land co-operatives, will redress the lack of empirical research on the transformation of rural land regimes and the nature of their relation to local development. It is important to recognise the institutional constraints—here I focus on the collective ownership of rural land—that have structured rural reforms. Even though all development paths are bound by this constraint, localities have developed different responses to overcome it. The following section aims to identify state requisition as the major source of rural land-related disputes and how localities work to bypass the institutional barriers of state requisition and collective ownership as they respond to both outside competition and internal conflicts.

3. The Evolution of the Rural Land Regime

3.1. Land Expropriation under State Requisition

In China's economic reforms, the central government has adopted a conservative approach to the marketisation of rural arable land. The 1988 amendments to the Constitution separated ownership from use rights and then legalised the transfers of use rights (Article 10). In urban areas, land use rights can be traded in the market under a leasehold system. In rural areas, however, the circulation of land use rights is limited to the exchange of 'contract rights' among farmers within their land tenure, as an extension of the 'household contract responsibility system'. This kind of transfer/exchange has been legalised by a series of government directives in order to enhance the efficient circulation of agricultural land. However, the designation of rural land for agricultural use cannot be altered.[4] When rural land is to be converted to non-agricultural and urban uses, it must undergo a process of state requisition. Only after the nature of the land is changed from rural collective agricultural land to state-owned urban land, can its use rights be traded in the market. During the requisition process, peasants get compensation fees settled according to the standard of agricultural output, not the land price which is to be traded in the market after the requisition is completed. The villages, as landowners, have no ground to negotiate with government, the land-taker. According to Ping's (2006) research, compensation fees represent only 3–5 per cent of the land sale revenue. The State Council think-tank estimated that at least 2000 billion yuan of increased value from land conversion has been transferred into the urban sector since the economic reform, and yet, the peasants have been unable to receive a profitable share of this wealth as landowners, even as urbanisation drives land values ever higher (*China Economic Times*, 12 November, 2003).

Furthermore, under collective ownership, compensation fees, regardless of their amount, are delivered to the village collectives, not to individuals. The village collectives hold and manage the compensation fees on behalf of all the villagers. The rural collectives have the power to decide how much and in what form the funds are redistributed to individual villagers. Again, the ambiguity of this collective ownership creates many contradictions. After all, who exactly represents the 'collectives' in the course of exercising property rights? Along with the fact that collective ownership has become, in effect, cadre ownership (Cai, 2003), what is perfectly clear is that individual villagers have no demonstrable sanction to exercise their rights to so-called collective property and thus have no say in either the management of compensation fees or the transfer of collective land. The absence of a mechanism to facilitate villagers' participation in the management of collective property makes it extremely hard to supervise the disposal and distribution of collective compensation fees. Collective funds can be drained simply by poor management, let alone outright corruption. In the cases of leasing collective land, deals made between cadres and outsiders are hardly transparent and the price of a parcel of land can be set deliberately low in anticipation of lucrative kickbacks.[5] The fortunes of individuals are bound to collectives, yet this unbreakable tie has been made by 'nature', not by choice. It should be noted, however, that these problems of collective ownership are not acute when the villages are primarily geared towards farming. It is precisely the widespread transformation of land uses and landownership that has led to outbreaks of property rights conflict.

Despite the central state's repeated assertions of its commitment to safeguarding food supply and conserving arable land, local governments have been converting land to non-agricultural uses on a massive scale. Strict rules promulgated by the centre have not always been enforced. Instead, as Lin and Ho have argued

> The rules have often been contested, circumvented, and manipulated not only by land developers and users but also by state agencies and managers at various local administrative levels (Lin and Ho, 2005, p. 412).

Not only does the selling of land create significant extra-budgetary income for local governments, but the conversion of agricultural land to industrial or real estate development also boosts economic growth and broadens the tax-base in the long run. Indeed, it is not uncommon for local governments all over the world to utilise land development as an urban growth machine. What makes China distinctive is that, because of the structures of its land system, the government is the *only* agent which can sell agricultural land (after state requisition and under the leasing system). Land conversion is controlled by local governments and the cost of taking land from the people who farm it is very low. Consequently, land requisition and sales have become the major source of local revenue. In 2004, the country's different levels of local government requisitioned a total of 1612.6 square kilometres of land. This, according to Ping's (2006) calculations, created 615 billion yuan (US$77 billion) in fiscal income for these governments. As the local state has monopolised the power to make a windfall from changing land uses, the current land use regime quite effectively promotes state-led land development (Cartier, 2001; Zhu, 2004).

In 2004, as part of a new wave of macro-adjustments, the central government further tightened its control over land conversion, but also loosened restrictions on the transfer of agricultural land among farmers.[6] At the local level, however, institutional innovation continues to challenge controls imposed from above. The most striking fact is the development of a rural land market which, in everyday practice, has surged ahead of the central state's reform agenda.

3.2 The Development of an Informal Market in Rural Land

Strong market demand for industrialisation and urbanisation has stimulated the emergence of an informal market in rural collective land (Ho and Lin, 2003; Jiang and Liu, 2003, 2004). In rapidly industrialised coastal regions such as Guangdong, Jiangsu and Zhejiang provinces, industrial businesses have been eager to obtain cheap land; whereas in many metropolitan suburbs, real estate development is sprawling into traditional agricultural zones. In a strict legal sense, rural land cannot be converted to non-arable uses, unless requisitioned by the state and then leased in the market. This, however, is not always the case in real life. A great number of Hong Kong and Taiwanese investors, for example, have been building their factories on rural collective land since the late 1970s. It is estimated that rural collective lands have accounted for more than 50 per cent of total construction land in the Pearl River delta (*Guangdong–Hong Kong Information Daily*, 17 November, 2003). In other words, more than half of the industrial land has never gone through legal conversion procedures. The reason certainly lies in the fact that the cost of renting land from the rural collectives is much lower than leasing state-owned urban land on the open market. Therefore, the rural provision of industrial land has, in fact, lowered the entry threshold for industrial businesses. To look at it from the perspective of the land providers, this has been also a boon for rural communities—as village collectives become rent collectors, farmers are able to cash in on the increase in land rents stimulated by the industrialisation process. As a result, rural income levels have risen significantly. For example, in 2004, rural income in Dongguan, Guangdong province reached 8990 yuan, as opposed to the national average of only 2936 yuan. This level of income does not derive from agricultural production. In fact, arable land has dwindled rapidly in Dongguan's rural areas. Between 1985 and 2000, arable land decreased by 286.2 square kilometres; while non-agricultural construction land increased by 228.878 square kilometres (Zeng *et al.*, 2003).

In regions with dynamic informal markets in rural land, land use conversion is accompanied by growth in rural incomes. This is hardly the picture one would usually associate with the term 'displaced farmers'. Clearly, the use and trade of rural collective land are directly related to the urgent demands of industrialisation and urbanisation, and also linked to rising standards of living for rural landowners—that is, the peasants associated with village collectives. A series of bottom–up institutional changes has been initiated in many localities to harness this synergy. In provinces such as Jiangsu, Guangdong and Zhejiang, many local governments have been bold enough to issue local ordinances regulating the transfer of rural collective land and, in so doing, effectively *legalise* the informal market in rural land.[7]

3.3 The Emergence of Rural Land Shareholding Reforms

On the side of the rural villages, newly created land rent has cast the spotlight on the redistribution of these new fortunes and, consequently, has lent urgency to the process of readdressing problems of collective ownership. That is, once the economic growth has been achieved, the distribution issue follows. The economically prosperous areas in the PRD have experienced these contradictions for two decades. Resolutions also have to be forged step by step from bottom–up. It is in such a context that Guangzhou, Nanhai and Shunde have taken the lead in initiating rural shareholding reforms (Fu and Davis, 1998;

Fu, 2003; Jiang and Liu, 2004). The centre of the reforms is to transform traditional village collectives into a new form of rural shareholding co-operative. These experiments have been largely adopted throughout the Pearl River Delta. For example, as one of the pioneers, Nanhai's shareholding reform operated on the basis of the village as an administrative unit, responsible for converting its collective land and assets into shares, in order to establish a land-based shareholding co-operative organisation. This co-operative could then either rent out land or erect factory buildings and rent out the space. The villagers, as shareholders, would enjoy the rights to the resultant yields permanently. As opposed to the high leasing fees charged for 50–70 years of use rights in the case of state-owned urban land, land belonging to rural collectives could be leased on a variety of terms catering for the different demands of different enterprises. This flexibility, in turn, helped to promote local industrialisation. According to Jiang and Liu's (2004) long-term research, in 2002, almost half of Nanhai's 150 000 mu of industrial land, or 73 000 mu, was leased by rural collectives. After a decade of development, the majority of farmers in Nanhai have become shareholders. There are currently 1386 shareholding co-operatives covering 728 900 individual shareholders in Nanhai (*Nanfang Daily*, 13 February, 2004). The role of rural collectives has shifted from a land contractor to an aggressive land manager, one which represents the shareholding organisation in overseeing and operating land transfers. In other words, farmland which was decollectivised after the adoption of the household responsibility system has once again been recollectivised by shareholding reforms.

The shareholding co-operative, while itself an institutional hybrid,[8] works nicely to clarify villagers' land property rights within the current framework of collective ownership, which remains a given and unchangeable institutional constraint. The concept of 'co–operatives' has been especially important in terms of gaining and maintaining legitimacy for these reforms. In Nanhai, village collectives retain 50 per cent of the co-operative shares. This arrangement guarantees that new co-operatives continue to take responsibility for public services at the village level, including infrastructural development, education and social welfare. This strong administrative reach suggests that the Nanhai reforms have not altogether altered the nature of the rural collective economy. Yet in clarifying property relations, they have helped to facilitate the use and transfer of rural land in the new context characterised by rapid industrialisation and urbanisation.

In the establishment of rural shareholding co-operatives, the key lies in the process that makes clear the individual's property rights with respect to collective assets. '*Quequan*', which literally means 'clarification of property rights', has become the key term in local policies and documents to justify the establishment of various forms of shareholding institutions. It may be a historical irony that the communist regime is now using individual property rights to fix the problems of the commons. However, this reclamation of property rights cannot be achieved without protest on the part of villagers and is facilitated by compromises on the part of some grassroots governments. To a certain extent, there is also a self-empowerment process taking place in these rural communities. In other words, these self-made villages and towns have to use the same energy and creativity that have gained their economic growth to develop a new system to deal with their internal social and political tensions.

The spontaneous nature of the shareholding reforms, however, has been changed since increasingly strong government intervention in 2004. Many local governments, perplexed by the increasing number of land-related disputes, come to see shareholding reforms as a device to mitigate local conflicts. In some regions—for example, Guangdong province—shareholding reforms have been imposed as a major means of spurring on urbanisation. Local officials have moved forward with the expectation that the integration of a village into a larger urban administrative district can only proceed on the precondition that all collective property be converted into shares and distributed to individual shareholders. Peasants will proceed to march into towns and cities, holding their shares in one hand and an urban *hukou* in the other. This process has been described by a new slogan, 'from ploughshares to shareholders' (*nongmin bian gumin*), used to mollify those still embroiled in land disputes resulting from the tensions of urbanisation. Invoking this strategy, Shenzhen municipal government declared in 2004 that they had completed the conversion of their last 270 000 villagers to urban *hukou*. Even the Beijing municipal government, which has been notoriously slow to adopt any sort of reform, promulgated official directives intended to promote the rural shareholding reforms in 2004.[9] Throughout the mainland, property rights of this sort suddenly took on legitimacy and shareholding reform was normalised as a means for the local governments to solve land disputes and other contradictions attendant on urbanisation. In the next section, I portray the nature of rural shareholding reforms in three such localities: Guangdong, Jiangsu and Beijing. Because each of the three cases is situated in regions characterised by a widely variant pace of economic development, this comparison will demonstrate how divergent processes of land conversion develop in response to specific paths of local development. These cases also demonstrate that how local institutions are in flux as they respond both to outside competition and to internal conflicts. Local experiments are creating an increasing diversity of property rights regimes in rural China.

4. Regional Practices of the Land Shareholding Co-operatives

Increasingly, empirical studies based in different parts of China have suggested that the emergence of a variety of property rights regimes is embedded and constantly evolving within the context of specific local institutions (Chen, 2004; Oi and Walder, 1999; Yang *et al.*, 2004; Yang and Wang, 2006). In order to highlight the transformation of collective landownership in the specific context of urbanisation, the presentation of the following cases will not be focused on the legal format of the shareholding system *per se*.[10] Instead, I will try to describe the *process* of the emergence of shareholding reform in different socioeconomic contexts and how actors have promoted differing agendas of property rights reform in order to cope with the problems generated by the land conversion process.

4.1 The Dongguan Model: The Collective-led Shareholding Co-operative

With its spatial and cultural proximity to Hong Kong, Guangdong has been 'one step ahead' ever since China launched its reform and opening policies in the late 1970s. The low cost of labour and other production factors have also convinced a great number of Hong Kong and Taiwan investors to relocate their factories to Guangdong, beginning in the early 1980s. With the designation of Shenzhen as the first Special Economic Zone to attract foreign investment, small and medium factories also began to sprawl into adjacent rural areas, such as Dongguan, to take further advantage of their cheap land and loose regulatory climate. In such rural areas, it has become a common practice for village collectives to lease land to outside investors or to erect rental factory buildings and workers' dormitories. Despite the fact that rural arable land cannot be leased for non-agricultural uses, the Land Management Law does make an exception for township and village enterprises (TVEs) as an incentive to promote locally based industrialisation. As a result, however, most local land-lease deals take the form of (fake) joint-venture contracts made between outside investors and local rural collectives, in which land is accounted for in terms of shares. Despite such practical tricks and ruses, the underlying reality is that rural collectives are leasing their land for industrial uses on a grand scale. As mentioned earlier, it has been estimated that more than half of the factories in the Pearl River delta are in fact built on rural collective land. The resultant low cost of land has facilitated the industrialisation of Guangdong province; peasants have also enjoyed the benefits of rental income from leased land.

Shielded by its distance from Beijing, the extent of this informal market in rural land has been unique. As the saying goes, the sky is high and the emperor faraway; and thus Guangdong was the first to effect institutional breakthroughs in patterns of land use, precisely because it was located at the margins. These practices prevailed without formal legalisation until 2003, when the provincial government of Guangdong issued new regulations pertaining to the transfers of rural collective land.[11] In the meantime, after two decades of industrialisation without urbanisation, cities such as Shenzhen and Dongguan started to launch aggressive pro-urbanisation policies aimed at integrating all the rural areas and their residents under their municipal jurisdiction into urban household and management systems (Po, 2005). This bold urbanisation agenda was proposed to improve Guangdong's investment environment to meet the increasingly fierce competition from Shanghai and other regions. Because converting villagers' *hukou* from rural to urban has become an index to evaluate the level of urbanisation and modernisation of a locality, Guangdong's urbanisation strategy has been implemented hand-in-hand with rural shareholding reforms. In 2004, Dongguan announced an ambitious strategic objective: to complete rural shareholding reform in three years and transform all villagers into urbanites within five years.[12] This plan began by establishing collective shareholding co-operatives in every single administrative village, in order to convert all collective assets into shares owned by individuals. By the end of 2004, 61 villages and 324 production groups had already accomplished this shareholding reform (*Nanfang Daily*, 7 December, 2004). Wusha village in Changan town, Dongguan will serve as a pertinent example of the process.

Wusha is very close to Shenzhen, with 3500 local residents. However, with rapid industrial development, it has also become home to no fewer than 80 000 migrant workers from neighbouring provinces. Wusha has aggressively engaged in export-oriented development since the establishment of its first foreign-invested business in 1983. Back then, the village collective used bank loans to develop the land and build workshops. Indeed, only the village collectives had enough power and access to get into the land development game. By 2002, the village had developed six industrial zones, all on their collective rural land, without bothering to go through the legal procedure of state requisition and changing land uses. These village-owned industrial zones have accommodated 270 foreign enterprises and 98 local private businesses. Their industrial products range from toys and electronics, to garments and leather accessories, as well as hardware and chemicals. As the landlord of hundreds of factories, the village was able to collect millions of yuan in land rent each year. Village revenues reached 177 million in 2002, 193 million in 2003 and had exceeded 200 million yuan by 2004.

Wusha's achievements stand as an emblem of the success of the collective economy, which has been able to mobilise their collective resources—land and credits—and also create a self-management system to tackle the redistribution issues. The villagers have been watching closely the management of their collective property. Wusha had established an 'Assets Management Committee' (*licai xiaozu*) as early as 1992. This committee, made up of peasant representatives, urged disposal of any piece of collective property to be discussed at the open meetings of all villagers (interviews, 2004). When I visited Wusha in September 2004, bulletin boards outside the village hall were posted with informational charts describing the management and distribution of collective assets, including the village's balance sheets, details of income and expenditures, and the salaries of village cadres. Inside the village hall, shareholders have easy access to computers which enable them to learn of the village's revenues as well as its future plans. This relatively mature system of local governance was further reorganised in 2004 as a result of Dongguan's shareholding reform policy. The village converted all collective property assets, including 1.3 million square metres of factory buildings, into shares and then established a shareholding co-operative. The collective owned 30 per cent of shares and distributed the remaining 70 per cent to individual shareholders. Shareholders get an average of 20 000 yuan bonus per year. Although Wusha had created a 'Financing Committee' as early as 1995 to monitor the management of collective assets, this system is further formalised in the newly created shareholding co-operative as a board of supervisors was elected.

One distinguishing feature of Wusha's shareholding reforms is that the land itself is *not* converted into shares. Because the village already owns a great amount of real property—factories, hotels, apartments, etc.—the village intends to keep the land collective intact in perpetuity. They do not intend to sell their land to outsiders, nor do they want village land fragmented into individually owned parcels. In short, this particular shareholding co-operative is led by a strong collective. The industrial zones they built are not possible for individuals. The shareholding reforms may have brought a legal redefinition of individual property rights, but they did not really alter the collective basis of the economy. On the contrary, it has further consolidated the collective.

4.2 The Kunshan Model: Local-government-supported 'Private' Shareholding Co-operatives

The development of Jiangsu province has been reshaped by the rise of Shanghai and the Yangtze River delta in the 1990s. During the 1980s, as Guangdong was 'taking off' with an influx of foreign investment, Jiangsu's growth was led by rural industrialisation—namely, the development of TVEs. In 1992, following the acceleration of Deng Xiaoping's reform and opening policy, the promotion of the Pudong Project helped Shanghai to regain its glory as the 'dragon head' of the Yangtze delta. And because the opening of Shanghai signified the opening of all of China, the city quickly became a favoured destination for global capital. This favourable investment climate radiated outward to neighbouring cities such as Suzhou, Hangzhou and others. In a manner quite unlike the sprawl of factories into the rural suburbs of Guangdong in the 1980s, the 1990s witnessed the concentration of foreign investment in much more deliberately planned development zones throughout the greater Shanghai region. This might be understood as a sort of latecomers' advantage: local governments in the Shanghai area and nearby Jiangsu province had learned from the negative example of Guangdong how to offer better services and establish more effective regulatory regimes with respect to foreign capital (Po and Pun, 2004). In general, the conversion and transfer of land for industrial use have been strictly controlled by local governments. The government claimed rural farmland via the process of state requisition, built development zones and related infrastructural improvements, and then leased these areas to enterprises. Lease prices tended to be set low in order to attract investors. While this government-led development zone model successfully attracted a significant amount of foreign capital, this new prosperity was built on the displacement and marginalisation of local peasants who lost their land with very little compensation and could only find a new job in the newly industrialised society with great difficulty. As a result, the growth of rural income lagged far behind the growth of GDP.[13]

Be that as it may, an increasing number of outside investors meant ever-rising demands for cheap land. Kunshan's shareholding reforms emerged from the innovative experiments of a group of grassroots leaders in Chetang village interested in taking advantage of this situation. The village collectives began by reclaiming unused marsh land into arable land, in order to satisfy required farmland quotas. Having exceeded the quota, they could then be allocated permits for non-agricultural development. The second step of the process involved the village leasing the land to groups of villagers interested in profiting from such development. In 1999, five peasant households from Chetang village founded the first such private investment organisation, which later became a co-operative. They contributed 150 000 yuan to build 500 square metres of factory space for rent. Back then, the majority of villagers considered this business too risky. However, this pioneering group earned a rate of return of 12 per cent for the first year of the venture and 15 per cent by the second year. Other villagers began to jump at the chance of buying into the scheme. More than 100 households joined in, achieving a capitalisation of 4 million yuan. These funds were used to build a series of factories, workers' dormitories and commercial spaces for rent. In Chetang village alone, five shareholding co-operatives were established. Similar practices quickly spread to surrounding villages. Still, these property developments, built on rural collective land, are exploiting the grey areas of the Land Management Law. Because these investments generated significant returns, the local government tacitly consented to these developments. Between 1998 to 2003, a quarter of the 82 500 mu of land newly developed in Kunshan belonged to rural collectives (Kunshan Development and Reform Commission, 2004).

The success of these bottom–up co-operatives caught the attention of the municipal government of Kunshan, which was troubled by escalating social tensions between underdeveloped rural communities and prosperous outside investors. The Kunshan municipal government recognised quite clearly that the opening-up of a rural land market would not only supply the needs of manufacturing enterprises, but also directly broaden the peasants' income base. In order to raise rural incomes, in other words, the government began to relinquish the reins of land development to shareholding co-operatives. In 2003, Kunshan stipulated that each village could use 3–5 per cent of their farmland for non-agricultural development—and this quota was understood to be in exchange for the cultivation of an equal amount of fallow or marginal land. Villages whose land was taken by requisition would also receive an equal portion of land in another location as compensation (Administrative Order No. 28). In addition, Kunshan declared that the aim of this new 'project to enrich the people' (*fumin gongcheng*) is to make citizens into property owners. Specifically, the project targeted the transformation of 10 000 families into property owners each year, beginning in 2003. Incomes for each family from land rent were projected to be at least 3000 yuan per annum. Indeed, the expectation was that, by 2006, 70 per cent of Kunshan's households would have an income derived from their property holdings. This property-led approach to the problems of rural development is, of course, deeply informed by the precedents set by Guangdong province.

Yet in contrast to the Dongguan model which puts the village as a collective on centre stage, shareholding reform in Kunshan emphasises the principle of voluntary participation of individual villagers. More significantly, the founding of a shareholding co-operative is oriented towards investment, not welfare. The establishment of shareholding co-operatives is not intended to bind the villagers more tightly within the sphere of the collective economy. Whoever wants to make money has first to invest to obtain the shares. Unlike in Nanhai and Dongguan, the management and transfer of land are not solely dominated by the villages but, rather, are defined by contracts between the village and the autonomous farmers' co-operatives. By 2004, Kunshan had established 142 co-operatives, covering 13 610 peasant households and accounting for one-tenth of Kunshan's rural population. The investment of shareholders totalled 114 million yuan and the annual bonus each household received averaged 10 per cent or more of the value of their shares.[14]

The focus of Kunshan's income-generating experiment therefore lies in letting people take part in land development and share in the rising land values attendant upon industrialisation and urbanisation. Qunyi village is a salient example. In 2001, the village's 196 mu of land were acquired by Kunshan Economic Development Zone, the city's growth machine. Now that the Development Zone was better off than a decade ago, it was able to offer fair compensation packages. In addition to offering resettlement housing, the Kunshan government provided a plot of land of the same size as that requisitioned from the village, but in a different location, in order to ensure the creation of new economic activities for these newly landless villagers. These plots could in turn be used to build a private industrial zone by means of a shareholding co-operative established for the express purpose of developing and leasing the land. As a result, 86 per cent of the village's 960 households joined the co-operative. With the price of each share set at 1000 yuan, the co-operative was able to raise 6400 shares, generating 6.4 million yuan. Different households contributed different amounts of money, ranging from 1000 to 30 000 yuan. The village collective leased the land in question to the co-operative, which built 15 000 square metres of factory space for rent. This arrangement also differs from the Guangdong model, in that a higher portion of the co-operative's revenue (85 per cent) is distributed to shareholders. In 2003, the yield rate was 15.6 per cent and the Development Zone gave an additional 3 per cent as a bonus. The income from the co-operative averaged 3136 yuan per household.

Meanwhile, the village allocated 200 mu of industrially zoned land, the use rights of which were to be leased to local farmers at 80 000 yuan per mu for 50 years. The villagers were allowed to pay the lease fee in three instalments over two years. They would be allowed to build new factory buildings after their first payment. Thus those who had capital and were willing to take the risk could become individual land investors and property owners.

The Kunshan model, in these respects, has gone even further than Guangdong to free itself from existing state-imposed constraints on landownership and use. With the support and even the active participation of the local government, these newly created shareholding co-operatives have become more 'private' and more spontaneous than their counterparts in Guangdong. Moreover, even more players are allowed to take part in the game of land development; villagers can either join the co-operative, or invest independently, or both. The emergence of multiple channels for participation in the property market has served as a powerful stimulus to local entrepreneurial activity.

4.3 The Beijing Model: A Belated Reform

Beijing's rural areas, given their close proximity to the capital city, belong to the larger metropolitan area of which they are a part. Their suburban status, perhaps inevitably, renders their development a very different matter from that of agricultural areas in the interior. Whereas the whole nation was dramatically transformed by the adoption of the 'household responsibility system' after 1978, Beijing's villages did not follow suit by contracting-out land to individual farmers. As the city continued to grow, rural areas were increasingly converted to urban uses. Rural land continued to be owned and managed by the village collectives throughout the course of this urbanisation process, so that villages reserved the right to facilitate the conversion of land from agricultural to other uses. Many villages have in fact leased a significant proportion of their land in order to earn collective rental income. Croplands which remain under cultivation, but could potentially be converted in the future, are worked collectively by the village. Individual families, however, are not entitled to demonstrable rights to the allocation and transfer of their co-operative property. Their fortunes are thus tied to the decisions of village collectives, which are not always smart, rational, honest or just. For example, when developers want a plot of rural land, they will make deals with the village collective, represented by the village head. However, many deals are made in a Black box, so that most villagers have no way of knowing the price and terms under which land has been leased and have no say in the distribution of revenue from rents. Discontent and dissension are endemic at the grassroots level as a result, and local governance has been beset by problems of increasing severity. In response to the escalating tensions, the Beijing municipal government has launched reforms of the collective ownership system in selected suburban districts, such as Fengtai, Changping and Huairou.

A radical shareholding system is implemented in villages whose lands have already been requisitioned and converted into non-agricultural uses. It stipulates that whatever collective assets the village retains—including claims, leases, real property, compensation fees and so on—be converted into shares and that each villager be granted equity ownership thereby. This amounts to nothing less than transforming villages into shareholding companies. The experience of Daliushu village in Xiaotangshan town, Changping district, can serve as a useful illustrative case. Daliushu village has 187 families, with a total population of 590. The village was originally located on a site that was requisitioned for the construction of Xiaotangshan's new town hall. As a result, village croplands were converted for use in the development of a new town centre. The village's remaining assets comprised compensation fees in the form of dividends and long-term leases of 80 mu collective lands with rent paid annually. The village was designated an experimental site for the reform of collective property ownership on 15 October 2003. A leadership committee and an evaluation committee were formed. The evaluation committee, consisting of three party representatives and three village representatives, was established to examine and ratify the village's collective assets and to determine the number of people who would be entitled to collective property. The committee approved 697 personal shareholders who had worked in Daliushu village between 1958 and 2003, and still resided in the Beijing municipality. Next, the village's assets were divided into 53 000 shares, each valued at 608 yuan. Thirty per cent of the shares continue to be owned by the village collective for purposes of building and maintaining infrastructure and providing public benefits. The remaining 70 per cent of the shares were distributed to individuals in accordance with the length of time they had worked in the village. Allocations ranged from 20 to 239. The majority of shareholders were given from one to two hundred shares. Shares can be inherited, but not transferred.

Currently, the village's largest income source derives from 1 300 000 yuan of rent and compensation fees collected each year. After the securitisation, shareholders should receive annual yields of about 20 yuan per share. In 2003, the village distributed 1 080 000 yuan of yields to the shareholders, averaging 1550 yuan per shareholder. Although the village is situated in what has become the town centre of Xiaotangshan, its average income remains the lowest in the surrounding area and far lower than the previous examples of shareholding reform in southerly regions such as Dongguan and Kunshan. Most of the village's land was expropriated by the town government, which was also in financial difficulties back in the early 1990s and did not provide sufficient compensation. What is worse is that, when the village leased out their remaining lands to developers in the early 1990s, rents were set very low. Unlike the case of Wusha, there has been no mechanism to monitor the management of the village's collective property in Daliushu. Information on exactly how or why these deals were struck is already impossible to retrieve. The newly formed asset management committee would, of course, like to find new tenants, or at least renew the leases under more favourable terms. However, 'small potatoes' as they are, they find themselves negotiating from a position of weakness with either government agencies or powerful private developers.

In short, Daliushu has securitised all its assets and become a 'shareholding village'. There is no question that this shareholding system has been established along lines suggested by experiments in the south. The deputy district mayor, who has been in charge of formulating the shareholding reforms in Changping, has gone on study tours to Guangdong and Jiangsu many times since the mid 1990s. In Daliushu, however, the creation of the shareholding system arrived at least a decade late, after village assets had been either expropriated or terribly mismanaged. In the face of such shrunken collective assets, the establishment of a shareholding system looks rather like the distribution of the few remaining spoils from an ancestral estate. After the legal disposition of what remains, the villagers will formally bid farewell to their farming past and embark upon a new and landless life. During my field research in August 2004, I visited Daliushu village in the company of the board members of the asset management committee, including its chairperson. Having contributed most of its land to the development of a new town centre, Daliushu village is now literally shadowed by the bulk of a brand new town hall. Clustered behind this government edifice are some 200 single-storey brick homes, many of which maximise space through makeshift additions and ramshackle outbuildings. The village is very crowded. Even worse is the lack of sanitary facilities. Dirty water and garbage are everywhere. Although villagers are able to generate additional income by renting spare rooms to outsiders, it is immediately obvious that general living conditions are far below average—especially given the village's location just 23 kilometres from the central business district of Beijing. Having already lost most of its land, the village could hardly be expected to rebuild itself. Developers have little or no incentive to co-operate with the village on redevelopment projects, since undeveloped land is limited, and profit margins will thus remain low. The newly formed asset management committee, buoyed by the sense of entitlement attendant upon a clear demarcation of property rights, still faces serious and seemingly insurmountable challenges in their efforts to do well for the shareholders they represent.

4.4 Comparison of the Three Villages

Each of these three examples of shareholding reform has emerged from a different socioeconomic context. In Table 1, I try to compare the three regions' driving-forces of economic development, their major economic actors, their patterns of land conversion and the core issues that the shareholding system is made to deal with. First of all, the historical and institutional starting-points in each case are due to variations in local resources and circumstances. Dongguan's proximity to the market economy of Hong Kong and its conduits to the larger world of globalised capital have stimulated the emergence of an informal market in rural land, which nevertheless functions by way of rural collectives. In a rather *laissez-faire* environment, village collectives have become the principal agent in creating a market for rural land, profiting from their own land holdings. And, gradually, in response to villagers' concerns over the redistribution of these new rents, a shareholding system has been established to clarify property rights ownership and distribute benefits to their constituents. Despite these achievements, shareholding co-operatives do not necessarily alter the core functions and institutional structures of the collective economy. Instead, they tighten up the connections between villagers and the village collectives. Rural collectives will continue to be the major players in local development, only now in a different form of property rights institution.

In Qunyi village in Jiangsu, by contrast, the Kunshan municipal government plays a dominant role in the allocation and management of land in order to push forward a development agenda revolving around the recruitment of foreign investment in manufacturing facilities. It is also the municipal government that allowed the benefits of industrialisation and economic growth to 'trickle down' to rural communities under its jurisdiction. This was achieved by providing a channel through which villagers could take part in the development of rural land and thus partake in increasing land rents. Here, shareholding co-operatives were introduced as a new institutional form enabling villagers to organise their participation in a new entrepreneurial enterprise. What distinguishes Kunshan's experience is its emphasis on volunteer participation and a decidedly market-driven sense of investment policy.

Table 1. Different context of land shareholding reform

	Driving-force of economic development	*Major local economic actors*	*Patterns of land conversion*	*Core issues of shareholding reform*
Dongguan	Proximity to Hong Kong Foreign capital-led industrialisation	Rural village collectives	Informal market of rural land	Redistribution of collective wealth
Kunshan	Proximity to Shanghai Foreign capital-led industrialisation	Municipal government	Government-controlled land development	Encourage private land development
Beijing	National capital Urban expansion	District government Real estate developers	State requisition	Ensure basic income for landless peasants

The municipal government aims to promote local entrepreneurial efforts, not a welfare system.

In Beijing, finally, shareholding reform was introduced as a government policy calculated to combat the underdevelopment of rural communities. The majority of rural land had already been expropriated by the state to facilitate urbanisation. Under the state requisition system, however, peasants are seriously undercompensated. The legal redefinition and clarification of property rights are seen as a means to protect the interests of village residents and assure them of a basic income despite the pressures entailed by the rapid urbanisation of the suburban fringe. However, this policy has been instituted at a time when most of the land has already been taken away and collective assets have dwindled. The question of whether property rights alone will be able magically to resolve these fundamental problems calls for follow-up observation.

Just as shareholding reform has been initiated in different contexts in order to cope with different problems, different institutional arrangements have developed in order to implement them. Shareholding reform is basically a reassignment of property rights and thus begs questions such as: 'Who has the right to become a shareholder?'. What kinds of property count as 'collective assets' and how is their value to be assessed in terms of shares? What percentage of these shares should remain with the collective? Do individual shareholders have the right to withdraw or transfer their shares? Table 2 compares the features of the three shareholding co-operatives discussed in this paper and the varying ways in which they have answered these questions in practice. In Wusha and Daliushu, all villagers with a local *hukou* are entitled to become shareholders. In other words, shareholding co-operatives are essentially community-based. They function as a closed system in which only one's status as a holder of a village *hukou* buys access into the system. Once the membership list is finalised, newcomers by birth or by marriage no longer enjoy this privilege. Villagers cannot withdraw from the system or transfer their shares, although inheritance is permitted.

The most striking difference between Wusha and Daliushu lies in the composition of their collective assets. Wusha has accumulated considerable wealth from actively mobilising its land resource over the course of the past two decades. The collective assets securitised in the course of shareholding reform represent 1.3 million square metres of real property. Collective land use rights are still held in the hands of the village and not by the new

Table 2. Major organisational features of the three shareholding co-operatives

	Criteria of shareholders	*Source of collective assets*	*Percentage of collective shares*	*Right to withdraw or transfer*
Wusha	All villagers with local *hukou*	1.3 million square metres of real property (land is not included)	30	No
Qunyi	Purchase of shares	6.4 million yuan collected from initial shareholders	15	Can withdraw and can transfer among shareholders
Daliushu	All villagers with local *hukou*	Compensation fees and long-term lease	30	No

shareholding co-operatives. By contrast, since most of the land belonging to Daliusha's village collective has been taken by the district government, collective assets have been sadly reduced to mere compensation fees and some long-term leases. Consequently, shares belonging to individual shareholders, although bearing clear property rights, are worth very little. It remains unclear what recourse the co-operative might have in the case of bankruptcy. From an administrative perspective, these liabilities would no longer be 'owned' by the village itself. Shareholding reform, in this case, could leave shareholders in an uncertain position.

In marked contrast to the restricted collective economies of Wusha and Daliushu, Qunyi village has taken a stronger dose of market mechanisms in the making of their shareholding co-operative. First, villagers need to pay in to become a shareholder. Not everyone wants or has the wherewithal to take on this sort of risk; 14 per cent of village households did not take part in the reform. Secondly, shareholders are free to withdraw from the co-operative. They may also transfer their shares to other members, but not to outsiders. The Qunyi shareholding co-operative retains a scant 15 per cent of collective shares, whereas in Wusha and Daliushu, this rises to 30 per cent.[15] Interestingly, the institutional design of the Qunyi case is by far the most deliberately 'private' and dependent on individual initiative and yet it is also the only reform process of the three to have been engineered, supported and implemented by a municipal government.

5. Conclusion: Reconsidering Institutional Change in China

Using the case studies of three villages in different regions, this paper reaffirms the importance of recognising regional variation. The comparison of these three villages has demonstrated a multiple version of land transfer practices by rural collectives at disparate levels of economic development. These cases also demonstrate that even local institutions are in flux as they respond to both outside competition and internal conflicts. Chinese villages and towns have had to marshal the same sort of energy and creativity that allowed them to remake their own economies to the task of developing new ways to manage the social and political tensions of new-found prosperity. Furthermore, this paper confirms that bottom–up local experiments are key to the progress of the gradual, evolutionary reform that continues to reshape China's economy and society. This incremental reform, although emerging in different local contexts, remains bounded by pre-existing structures of rural collective ownership. As the central government shows no sign of moving towards an outright privatisation of rural land, this institutional constraint will continue to shape the path of local development. These cases also reveal that, while the shareholding reforms are embedded in specific local institutions, continually evolving property rights relations also put local institutions in flux. As the establishment of new shareholding co-operatives is aiming to separate the economic and political functions of the administrative villages, it is important to call for follow-up research on their impact on the local grassroots governance system.

Formal, top–down reforms, carried out according to rigid blueprints, do not necessarily bring about significant and positive outcomes. The on-going top–down shareholding reform of rural collectives does nonetheless demonstrate that 'property rights' have gained real legitimacy as a means of improving the economic and social wellbeing of rural China. This is, of course, a deep historical irony: the communist regime is now using private ownership as a fix for collective problems left in the wake of the socialist legacy. The inspection, valuation and registration of rural populations, lands and assets carried out in the course of reform may also serve as an infrastructure for further privatisation reform in the future. For now, on-going local land reform may eventually lead to the opening-up of rural collective land to the market. In June 2005, Guangdong province issued the first provincial-level law allowing for the circulation of rural land. This emerging trend will almost certainly alter patterns of land use conversion and change the fate of landless peasants in China.

Notes

1. One mu is equivalent to 0.0667 hectare, or approximately one-sixth of an acre.
2. Compensation fees for land requisitioned include land compensation fees, resettlement fees and compensation for attachments to or green crops on the land. Specifically, the land compensation fees shall be 3–6 times the average output value of the 3 years preceding the requisition of the cultivated land (Constitution, Article 9, 1982 *The Status of Land Requisitioned for the State Reconstruction*).
3. For example, 2005 witnessed the bloodshed of the Dingzhou incident in Hebei province and the Shanwei incident in Guangdong; both began as protests against local states' land requisition. These events brought international media attention to China's land conflicts. (For the BBC's coverage of the Dingzhou incident, see http://news.bbc.co.uk/2/hi/asia-pacific/453444.stm; for the Shanwei incident, see http://news.bbc.co.uk/2/hi/asia-pacific/4507130.stm.)
4. The land used for township and village enterprises (TVEs) is exceptional in this regard, serving as a 'set-aside' to promote rural industrialisation. This exception creates a loophole through which many outside investors deftly manoeuvre, obtaining land under the guise of establishing TVEs.
5. It has become common sense, from the perspective of the developers, that when you want to develop a piece of land, you go to the village cadres. The case of Xiaotangshan in suburban Beijing in the following section can serve as an example.
6. The State Council announced 'The Decision on Deepening Reforms and Tightening Land Management' in December, 2004.
7. For example, Huzhou promulgated a decree to regulate the rural transfers of land in 2001, Kunshan followed in 2002, Guangdong province in 2003 and Jiangsu province in 2004.
8. The name shareholding co-operative suggests a combination of a shareholding company and a co-operative, which in fact refers to different ownership and management systems. Vermeer has helpfully pointed out the different features of a shareholding company and a producers' co-operative (Vermeer, 1999, p. 129). When the notion of shareholding co-operatives was used in the property rights reform of state-owned enterprises and TVEs, neo-liberal scholars criticised its fundamental contradictions and predicted that this hybrid form could not last (see Vermeer, 1999).
9. For example, the district government of Changping, Beijing, issued its promotion and regulation of rural shareholding reform in 2004.
10. I will detail the legal and conceptual implications of these new forms of rural co-operative in an independent paper.
11. 'Note on the Transfer Right of Experimental Rural Collective Construction Land Use in Guangdong Province', 2003.
12. 'Implementation Project of Rural Shareholding Co-operatives in Dongquan', 2004.
13. For example, Kunshan's GDP reached 17.17 billion yuan in 1999. While the GDP growth rate increased by 17.5 per cent from the previous year, the per capita income of the rural population was only 5386 yuan, representing an increase of only 0.7 per cent for the same period (*Annual Statistics of Kunshan*, 2000).
14. See China Agricultural Information Net, 30 September 2004 (http://www.agri.gov.cn/gndt/t20040930_250436.htm; accessed 10 May 2005).
15. In other parts of Dongguan—for example, Zhangmutou town—the percentage of collective shares reaches as high as 80 per cent.

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