



China in transition: institutional change at work in inland waterway transport on the Yangtze River[☆]



J.Y. Li, T.E. Notteboom^{*}, W. Jacobs

Institute of Transport and Maritime Management Antwerp (ITMMA), University of Antwerp, Kipdorp 59, B-2000, Belgium

ARTICLE INFO

Keywords:

Institutions
Governance
Path Dependence
Path Creation
Inland Waterway Transport
The Yangtze River China

ABSTRACT

Chinese national fiscal reforms and the transfer of power from the central government to local governments impact the governance of inland waterway transport (IWT). In this paper we argue that the development of IWT on the Yangtze River is strongly influenced by institutional changes at different levels of government in line with the path dependent transformation of the Chinese centrally planned economy. This paper deduces how institutional change of IWT on the Yangtze fails to fulfil its purposes because of institutional legacies and conflicts of interests among the various levels of government and the persistent interwovenness of the state with private enterprises (via SOEs). In order to further stimulate IWT on the Yangtze more institutional changes are on the cards, in particular a need for more (foreign) private involvement and more independent SOEs, but these changes will not necessarily break out of the development path.

© 2014 Elsevier Ltd. All rights reserved.

1. Introduction

During the last 60 years, China's political landscape, economy and society have changed dramatically. With the establishment of Communist rule under leadership of Mao in 1949, China adopted a 'centrally planned economy' with a 'Lines and Blocks Administrative System' in which each industry was controlled by the central State. With the 'Open Door Policy' announced by Deng Xiao Ping in 1979, China restored its international relationships with other countries and started to transform its economy to the principles of 'Chinese Socialism Market Economy'. Having been through several institutional reforms, China's economy still undergoes processes of rapid industrialization and urbanization, while privatizing state-owned enterprises (SOE).

China's transition has affected the way key transport infrastructures and modes are governed. This paper focuses on inland waterway transport (IWT) – a transport mode most appropriate in the pursuit of a sustainable development strategy (INA, 2009). Existing literature on the development of IWT has demonstrated the role of government policies and the importance of institutional frameworks. However, there are large variations in the development

paths of IWT across the world, see e.g. Seidenfus (1994) on Germany, Comtois et al. (1997) on France and Canada, Burn (1984) on the UK, Bongaerts and Van Schaik (1984) on the Netherlands and Li and Notteboom (2012) on Belgium. In South East Asia, Kader et al. (2006) argues that integrating IWT can bring economic prosperity to the region, but that its implementation is constrained by the lack of appropriate governance mechanisms between various authorities in different countries. With respect to China, Wang and Li (2012) argue that "the inefficient operational scale found in the Pearl River Basin's IWT is largely a result of the lack of regionally integrated, water channel-based financing and management" (p. 208). Obviously, governments and public policy influence IWT development. This raises two research questions. First, given that China is transforming from a centrally planned economy towards a market-based economy, how does China's transformation impact on Chinese IWT development? And how are these fundamental institutional practices and changes affecting the policy and role of the government in IWT development on the Yangtze River?

We argue that the development of IWT is influenced by institutional changes at different levels of government. We deal with the above research questions on institutional change of IWT by adopting a 'case study' approach (Yin, 2009). Based on the method of research design of 'case study', a theoretical framework will be developed and applied to the case of IWT on the Yangtze River.

This paper is structured as follows. In the next section, a conceptual framework is presented including key elements related to institutions and regional development, and their relationships

[☆] This article belongs to the Special Issue on The Changing Landscapes of Transport and Logistics in China.

^{*} Corresponding author.

E-mail addresses: jinyu.li@uantwerpen.be (J.Y. Li), theo.notteboom@uantwerpen.be (T.E. Notteboom), wouter.jacobs@uantwerpen.be (W. Jacobs).

and interactions. Then, the conceptual framework is applied to IWT development on the Yangtze River in order to reveal how institutional designs regarding IWT are part of a path dependent evolutionary trajectory at a more fundamental scale, namely the transition of China towards a market economy. In the final sections we draw conclusions.

2. Theoretical foundations and conceptual framework

2.1. Institutions and institutional change: a literature review

Institutions refer to a set of formal or informal rules ‘humanly invented and/or socially constructed which shape human interaction’ (North, 1990), or ‘steer[ing] perceptions and activities of various actors’ (Strambach, 2010). Three pillars of institutions are distinguished by Scott (2001): the regulative, the normative and the cultural-cognitive. As Scott (2001) pointed out, although each pillar has its own unique logic, mechanisms of enforcement, and bases of compliance and legitimacy, they all are institutions that both constrain and enable human activities. Martin (2000) makes a useful distinction between the “*institutional environment*” and “*institutional arrangements*”. Not only do the informal conventions, customs, routines and norms belong to the scope of the institutional environment, but also formal sets of legally enforced rules and regulations. Meanwhile, particular organizational forms (firms, state bureaucracies, cooperative networks, governance systems etc.), whose constitution and operations are governed by the institutional environment, are referred to as institutional arrangements (Martin, 2000). Institutions are reproduced, strengthened, challenged and changed through the interactions in the institutional “environment” and “arrangements” (Notteboom et al., 2013).

Path dependence explains how the set of decisions one faces for any given circumstance is limited by the decisions one has made in the past. “Institutions are both the product of and a key factor shaping social agency: they provide the stability and predictability needed for social and economic actions and transactions, whilst incrementally responding to and incorporating the outcomes of those actions and transactions; this duality of structure and agency necessarily means that institutional evolution tends to exhibit ‘path dependence’” (Martin and Sunley, 2006). North suggests that the role of institutions is to reduce uncertainty in a society in terms of constructing a stable structure for human interaction, and argues that “history matters” (North, 1990, p. vii) in the process of institutional change since the expectations for the future are shaped by the decisions made by actors in the past (North, 1990).

Most institutions, as Martin (2010) described, are composite entities and made up of a numbers of micro-level institutions, therefore incremental changes are possible by processes of layering, conversion and recombination. Layering (Schickler, 2001; Thelen, 2003; Boas, 2007) refers to gradually adding new rules, procedures or structures to existing institutions. Conversion (Martin, 2010) refers to reorientation of institutions in terms of form and/or function, which can be in two ways: replacement of old rules or procedures for new ones, or existing arrangements of an institution that can be [redirected] to serve new purposes. These two processes frequently coexist and interact (Boas, 2007). Recombination refers to the action of recombining and redefining (social and institutional) resources and properties to produce a new structure (Stark and Bruszt, 2001; Stark, 1996; Schneiberg, 2007; Martin, 2010). As such, actors can make conversion and recombination of existing components, and even the ‘creation of new path[s]’ (“off-path” experimentation with new or improved possibilities) (Schneiberg, 2007).

While the role of institutions in IWT development has received only limited attention, there is an extensive literature on

‘institutions’ and ‘governance’ in a seaport setting (Hall, 2003; Wang et al., 2004; Brooks, 2004; Brooks and Cullinane, 2007; Debie et al., 2007; Jacobs, 2007a,b; Jacobs and Notteboom, 2011; Notteboom, 2007, 2009; Brooks and Pallis, 2008; Ng and Pallis, 2010; Notteboom et al., 2013). Port reform at the level of the administrative and ownership structure is often initiated by the desire to solve problems of inefficient operation and management as well as to upgrade a port’s function in supply chains (Cullinane and Song, 2001; Airriess, 2001; Brooks, 2004; Wang et al., 2004). Concession agreements are often adopted as tools for structuring the relations between public landlord port authorities and private terminal operators (Notteboom, 2007). Other studies discuss the strategic actions of port actors, thereby pointing to ‘windows of locational opportunity’ for port investment that open and close (Jacobs and Notteboom, 2011). Ports are constrained in the scope of ‘regime politics’ in which different actors and interests from various territorial scales interact, conflict and form alliances (Jacobs, 2007a,b). Port authorities are constrained by their governance structure and/or institutional environment when they try to develop new routines to deal with external challenges (Notteboom et al., 2013).

The seaport-related literature provides an empirical testimony that institutions enable, constrain and refract industries and economic development in spatially differentiated ways. This leads to a number of propositions. First, institutions do matter in economic development. Second, institutions matter in spatial discriminatory ways and are thus place dependent. Finally, institutions change as a result of a long-term path dependent process and of deliberate design.

2.2. Conceptual model: institutional design and regional development path

The theoretical basis for the discussion on the role of governance and institutions in IWT development is formed by the conceptual framework presented in Fig. 1. The graph depicts a conceptual model on institutional design and regional development path. Parasuraman et al. (1985) provides a possible process design to structure a conceptual framework. The process we followed while developing the conceptual framework is based on two key steps: first we identified the key theoretical elements that are at play in the interaction between institutional design and the regional development path. Secondly, we mapped and interpreted possible interactions and mechanisms of interconnection between the elements.

Based on a literature review, we noticed that subjects involved in a regional economic system are separated into ‘state’ and ‘markets’; ‘resource allocation’ is taken as a prerequisite for developing regional industries. Therefore ‘institutions’, ‘regional development paths’, ‘allocation of resources’, ‘state’ and ‘markets’, are five key elements in the conceptual framework.

The regional development path refers to a trajectory of the emergence, growth and evolution of regional industries. It can be observed from the changes to firms, products or productivities, industrial operation, industrial structure or orientation. Regional development is a result of an accumulation of various factor endowments (land, labor, capital, natural resources), processes (agglomeration, embeddedness) and mechanisms (governance). This results in a specific regional development path (Martin and Sunley, 2006). Furthermore, the regional development path is a dynamic process in which agency is capable of designing new or modifying existing institutional arrangements by conversion, layering and recombinant effects. Institutional change is therefore both an evolutionary process and a resultant of deliberate design (Martin, 2010).

Download English Version:

<https://daneshyari.com/en/article/1059050>

Download Persian Version:

<https://daneshyari.com/article/1059050>

[Daneshyari.com](https://daneshyari.com)