



CHERISHING THE FARMLAND: A farmer harvests rice in Yongzhou, Hunan Province



New Lay of the Land

On collectively owned rural land, experts say farmers deserve more By Lan Xinzheng

If you go through the brochures that Chinese local governments handed out to attract investment 20 years ago, the most alluring preferential policy might be the free land they promised to companies. Thanks to that, industrialization took off.

However, many local governments now find out they have no land left, especially in eastern coastal cities. A shortage of construction land quotas makes it impossible for their economy to develop as fast as it did before.

Many are pinning their hopes on the Third Plenary Session of the 18th Communist Party of China (CPC) Central Committee, which will be held in November. One of the focal points is expected to be rural land reform.

China's rural land is divided into arable land, which is used to grow crops, and construction land, which is used for rural housing, infrastructure and companies or factories. While urban land is owned by the state, China's rural land is collectively owned by residents. Arable land is leased to residents as farmland, while construction land is managed by the village.

According to current laws and regulations, rural construction land can only become urban construction land and then be used for residential, commercial or industrial purposes after a local government acquires the land from farmers, whom they must compensate. Other than that, all usage of rural construction land is illegal.

A source close to the matter told *Beijing Review* anonymously that this session will establish a market-oriented land trade market, which will allow rural land to be freely traded based on the willingness of farmers. Regarding rural land reform, the most sensitive area concerns collectively owned construction land, which is about 180,000 square km, three times the area of urban areas, according to an estimation by Dang Jianying, a researcher with the Rural Development Institute of the Chinese Academy of Social Sciences.

Currently, collectively owned rural construction land can only be traded in the market after a government-backed land acquisition. If a free construction land trade regime can be established, it could break up the government's

monopoly of land management and greatly boost a city's land availability for housing, thus reducing housing prices and providing potential gains for farmers from the transfer of land ownership. It will also create investment opportunities, provide a huge amount of construction land for the industrial sector and expedite new urbanization focused on the industrial sector and employment.

But some have their doubts. Wang Zhihao, Standard Chartered Bank's chief economist for the Greater China Region, said no radical measures are likely to be taken because there have been prolonged disputes over the low efficiency of land usage and insufficient compensation for farmers. "This means the new round of land reform may only have limited impact in the short run. More effects can only be seen in the long term."

The right time

Experts say the land reforms are coming at the right time given the growing outcry from farmers who say their legal status regard-

ing rights under the collective ownership scheme is unclear.

Many rural residents are reluctant to migrate into cities—a common phenomenon in China for those seeking better paying jobs—because they fear they would lose rights over their leased farmland and miss out on any dividends from collective assets.

Zhou Tianyong, a professor with the Party School of the CPC Central Committee, said the dual system of land ownership and usage in rural and urban areas have greatly impeded China's economic development.

"In rural areas, a large amount of rural construction land is sitting idle because it is non-tradable. While in urban areas, construction land has almost been used up. In order to further develop the local economy, governments would acquire rural construction land, sometimes through forcible land transfers and low compensation.

"Farmers can hardly benefit from the transfer of land ownership, which leads to frequent collision between farmers and local governments," said Zhou, who added that China's ongoing urbanization efforts rely on significant land reform.

In September 2013, China rolled out a pilot run on the free trade of rural construction land in 28 cities. Huang Xiaohu, Deputy Director-

Rural Land Acquisition

From 1996 to 2010, China turned 4.94 million hectares of rural land into urban construction land, causing over 30 million farmers to lose their land. From 2010 to 2020, another 3.5 million hectares of construction land will be needed, which is likely to leave 23 million farmers landless.

(Source: Ministry of Land and Resources)

General of the China Land Science Society, said land reform has far-reaching significance on future growth and urbanization. "Right now, the time is ripe for carrying out such reform."

Great anticipation

Hopes are high for China's land reform and the potential it could have on food production and the country's ongoing economic transformation.

Zhou said more arable land supply could be realized by exploiting untapped rural land with modern technology. The Chinese Government has set a "red line" for the country's arable land, which says at least 1.8 billion *mu* (1 *mu* = 0.07 hectare) of arable land must be reserved to ensure China's grain production.

Zhou said his biggest hope for land reform is to solve the contentious issue of ownership over rural land. He suggested the

government abolish collective ownership over rural land and make all rural land state-owned, just like urban land.

He also said that empowering farmers should be the main goal of land reform. "Land usage rights should be similar to property rights so that farmers can inherit, trade, collateralize and lease the land. The main direction of reform should be giving farmers property rights over the rural land." In terms of land trade, Zhou said the government's monopoly should be eradicated. "All land, no matter if it is owned by individuals or companies or the government, should have access to the market equally and freely."

Liu Shouying, Deputy Director of the Rural Economy Institute under the Development Research Center of the State Council, believed the goal of land reform should be to provide an institutional guarantee to China's economic transformation and sustainable urbanization.

"I hope the land reform can establish an equal ownership system for both urban state-owned land and rural land to ensure both are traded freely in the market."

But it's no easy task. Liu said relevant laws and regulations should be revised as soon as possible to ensure rural residents' usage rights over their leased farmland. He warned that land reform has an impact on every aspect of Chinese society and suggested a pilot run in certain areas before making it national policy.

Liu also advocated dividing land reform into three phases. The first phase, which would end by 2014, would see China register all rural land and greatly alter the way farmers are compensated. "The second phase will last from 2015 to 2017, when China builds a unified land trade market comprising rural and urban land. While the last phase would be from 2018 to 2020, when a modern land management system is established in the country." ■



PRECIOUS LAND: High-rise apartment buildings in Binhai New District, north China's Tianjin. The land used to be rural construction land and was acquired by the local government for urban use

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