

The Logic of China's Current Land System Reform

Zhen Zhong

Assistant Professor

School of Agricultural Economics and Rural Development

Renmin University of China

Land is one of the most fundamental production factors in economic activities. In China, the land is state-owned and collectively-owned, that the following become key issues: how to transfer the land-use rights and how to distribute the land value-added benefits in the process of urbanization. Whether the land policy reform concerning the two aspects can proceed smoothly is related to the overall success of China's economic reforms.

I. The distribution of the land value-added benefits is inequitable at present

The demand of construction land in the future: Most agencies widely predicted that China's urbanization rate will increase by 1% per year and will reach 60% by 2020. That means the urban population will reach 850 million which already increased by 140 million compared to the urban population at the end of 2012. According to 60 square meters per capita, we still need 8,400 square kilometers of construction land. In the condition of present land system, it has to rely on land expropriation.

The status quo of land benefits distribution: The Land Management Law stipulates that the compensation of rural collective-owned land requisition shall not exceed 30 times that of the previous three-year average value of the occupied farmland. According to this compensation standard, the average compensation for the farmers is 103 RMB per square meter in 2011. At the same period, the average land premium for the government is 943 RMB per square meter. The proportion of land revenue farmers obtained is less than 11%. Therefore, the purpose of land reform is to change the unreasonable status quo of land income distribution.

II. The existing exploration of land transfer system reform

To increase the proportion of the farmers' land income distribution, it's necessary to change the single mode of the government's land acquisition and use diverse ways. However, the central government provides that the rural land is prohibited to transfer without the proper land right confirmation done. So the premise of rural land circulation is to confirm the land ownership.

The progress of land right confirmation of four types of rural land:

- Rural collective-owned land ownership (basically completed)
- The use rights of commercial land and nonprofit land (in progress)
- The use rights of homestead (in progress)
- The contracted management right of agricultural land (expected to be completed by 2016)

The local experiment of collective-owned land: Chongqing, Chengdu in Sichuan, Jiaxing in Zhejiang, Tianjin, Shenzhen in Guangdong, Shaxian in Fujian etc.

- Chongqing's land stock: auctioning land publicly in the form of bills in Chongqing rural land exchange institute
- Chengdu's separating and merging courtyard: farmers voluntarily give up the land use rights, but they will be arranged to obtain employment and housing in the city and get the same treatment as urban workers.
- Tianjin's homestead for housing: farmers can replace apartments in the small town with their homestead.
- Jiaxing's two separating and two replacement: farmers can replace apartments in the town with the homestead

and replace the social welfare with the land use rights.

- Shenzhen’s collective-owned industrial land transformation: rural industrial land can apply to enter the market circulation. Those according with the urban planning can be listed to transfer.
- Shaxian’s land transfer trust: establishing the trust company of land use rights and then entrusting, transferring and distributing them uniformly.

Among them, Shaxian’s land transfer trust is a typical innovation transfer mode. It insists that the farmland transfer can’t change the nature of the land. There are three major advantages: The fundamental land use rights transfer doesn’t occur which avoid the risk of farmers’ losing land; The farmers can share the land value-added benefits through trust dividends to increase their income sustainably; It reduces idle land, increases land use efficiency and promotes scale production.

III. The two main ways of land system reform

Two ways to protect the farmers’ rights:

i. Reforming the draft of land expropriation. The amendments draft of the Land Management Law deleted the compensation of the original purposes of the land requisitioned and the compensation limit of 30 times. They will introduce Rural Collective-owned Land Expropriation Compensation Ordinance and have made a large revise on compensation fees and resettlement fees.

The subitem of land expropriation compensation	Old land expropriation compensation	New land expropriation compensation
Land compensation fee	No more than 30 times of the average value of the previous three-year output of the land requisitioned	Deleting the maximum limit, proposing the fair compensation and improving the land value-added benefits due to farmers
Resettlement fee	Currency way, low	Currency, job placement or long-term living security payment
Attachments and young crops compensation fee	The compensation standard is low. The young crops is typically 1 times to 1.5 times of the average value of land output	Listing the homestead attachment separately in favor of the peasants whose land is expropriated
Compensation standard adjustment mechanism	Not clear, often unchanged for years	The compensation standard is linked to the price and will be adjusted per three years

ii. Gradually reducing the scale of land expropriation and making diverse ways of land transfer

IV. The possible bonus of the land system reform

The two core goals of the land system reform are to improve the allocation proportion of the farmers in the land value-added benefits and to make the ways of land transfer diverse. If the land system reform were completed successfully, it will release more bonus to Chinese economy.

- Increasing farmers' income from property and accelerating the process of farmers' transformation into urban inhabitants.
- Increasing the cost of land acquisition and suppressing the investment impulse of the local government.
- Reducing idle land, increasing land use efficiency and promoting agricultural modernization.
- Increasing the supply of urban land and discouraging the high prices of housing.

Date submitted: Jan. 16, 2014

Reviewed, edited and uploaded: Jan. 22, 2014