

**CHINA'S RURAL LAND REFORM:
AN UPDATE**

ZHOU Zhihua

EAI Background Brief No. 1037

Date of Publication: 25 June 2015

Executive Summary

1. China's leadership has adopted relevant measures to speed up rural land reform. The reform is to increase land use efficiency for economic growth and reduce rural and urban inequality without breaking down collective ownership, flouting arable land protection rules and hurting farmers' interests.
2. The leadership adopted a proactive yet cautious approach by launching regional pilot programmes before applying the experience on a larger scale and legislating it.
3. The recent trial scheme has been deemed as the kick-off of the new round of rural land reforms. It targets the transfers of rural construction land for business operation and homestead, and the ways to facilitate such land transfers (including the land expropriation system and the redistribution system of gains from land transfers).
4. The scheme has socio-economic and legislative significance such as removing legislative barriers for land transfers, breaking down the government's monopoly in urban land supply, boosting the economy and accelerating urbanisation, alleviating urban and rural inequality in the trial regions, and providing resources for the amendment of the Land Management Law.
5. Despite stakeholders' high expectation of the reform and the strong stance made earlier by the leadership, the outcomes of this scheme on rural land development may not be extensive. Indeed, it might have more legislative implications than practical significance.
6. Some factors are the ongoing registration of properties, institutional adjustments in taxation, finance, housing, social welfare, planning and the *hukou* system, the ambiguous property right of collective land, the possible resistance from local governments, and the slowing economy and real estate development could make the implementation very challenging.

7. The leadership will have to commit to more measures in land transfers to facilitate the scheme, including the establishment of market rules, a regulatory and supervisory framework for the market and more supporting policies in relevant sectors (e.g. taxation, finance, social welfare, planning and *hukou*).
8. It would have to adjust the role of local governments in the trials to reduce their reliance on land revenue and establish efficient fiscal and taxation systems to ensure local governments' commitment to the scheme.
9. The trial scheme however only targets rural construction land transfers (3.0% of the territory). China's overall rural land reform still has a long way to go as it involves institutional arrangements in various aspects (e.g. property right and land use management) for different types of land (e.g. arable land, forest, grassland and unused land).