

**BEHIND WIDESPREAD LAND REQUISITION
IN CHINA: RAPID URBANIZATION AND
LOCAL GOVERNMENT MOTIVATIONS**

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Executive Summary

1. China's rapid urbanization since the late 1970s and demands of a growing urban population have driven the conversion of agricultural land for urban development such as housing, roads and other infrastructure.
2. But urbanization can only partially explain the spike in land requisition. Government motivations in turning land into capital are also responsible for engendering widespread land requisition.
3. Local government officials have taken agricultural land with alacrity as it is critical to their career. Direct and indirect returns from land enrich local coffers and fuel GDP growth when reinvested.
4. Land requisition is primarily fueled by the revenue imperative: local governments gain from the price difference between requisitioning collectively owned land and leasing them to commercial/industrial users.
5. Furthermore, land-centered capital formation has become a principal source of financing for urban development. Barred from issuing municipal bonds or borrowing directly from banks, local governments resort to mortgaging land use rights to banks to secure loans for financing capital construction.
6. Land requisition is also reinforced by the construction of highly visible symbols of modernization perceived as "political trophies," and for "place-making" to create a favorable urban built-environment to attract potential investors.
7. Around 20% of China's 662 cities and over 20,000 designated towns were culpable of "image-engineering projects" (形象工程) such as huge squares, wide roads and luxurious office buildings.

8. Local officials' obsession with political trophies has detrimental consequences on the economy. During the Tenth Five-Year Plan period, a quarter of 516 construction projects funded by national debts failed to meet completion dates.
9. From the mid-1990s, extensive land requisition has displaced large numbers of rural residents from the periphery of cities and industrial locations. In cities, housing demolition and resettlement are becoming commonplace as governments seek to capitalize on the rising value of land.
10. Land requisition, home demolition, and related issues have driven aggrieved peasants and homeowners to seek redress from higher authorities. Conflicts between government authorities and dispossessed peasants/homeowners over unfair compensation and forced eviction are also increasingly frequent and confrontational.
11. The escalating economic and social costs of extensive land requisition cast serious doubt over the sustainability of the government's continued reliance on land for capital.