

HOW PROPERTY BOOM GENERATES SOCIAL TENSION IN CHINA

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Executive Summary

1. Popular protests in China sparked by land rights infringement saw a ninefold increase from 2001 to 2007. Appeals and complaints to higher authorities are also, to a large extent, driven by disgruntled homeowners and villagers embroiled in housing demolition and land grabs.
2. The rise in land rights infringement and attendant social tensions is a direct result of China's booming property market. Concomitant to the escalation in property prices was a hike in land prices, which peaked in end 2009 and early 2010.
3. Local governments benefit more from a booming real estate market as most of the industry's tax revenues are local taxes not subject to sharing with the central government. This appetite for land fuels the widespread requisition of rural land owned by peasant collectives for subsequent conveyance to fetch high profits.
4. Strong motivations in turning land into capital means government authorities will go to the extent of using force to demolish and evict occupants of land. At the same time, some homeowners also go to great lengths to resist eviction.
5. Forced eviction sometimes escalated into violent demolition or "*baoli chaiqian*", whereby the clash of interests culminated in tragic fatalities. Widely publicized clashes and perceived government collusion with property developers further fanned public outrage and a deep sense of injustice.
6. China's property rights laws are unable to keep up with rising land and property prices and a growing awareness of property rights. The legal lacuna is partly a legacy of the Maoist era when private ownership was replaced by the communist notion of common ownership.

7. The Urban Housing Demolition and Relocation Regulations do not define demolition for commercial properties and that for public interests. This ambiguity led to exploitation as some local governments acquire land and demolish homes in the name of public interests.
8. Social pressure to amend existing regulations was overwhelmed by strong opposition to policy changes, which brought suggested revisions to a standstill in 2010.
9. On 19 January 2011, the draft for “Regulations on the Requisition and Compensation for Housing on State-Owned Land” was approved in principle by Premier Wen Jiabao. This new set of regulations will replace its precedent which has been blamed for the many problems pertaining to resettlement.
10. Selective implementation of related regulations is likely to prevail if local governments continue to rely on land sales and accompanying taxes as a source of revenue. The persistence of this thorny issue and the social tension arising from it complicate China’s efforts to narrow its widening urban-rural income gap.