

**THE LAND SUPPLY SYSTEM FOR
URBAN DEVELOPMENT IN CHINA**

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Executive Summary

1. China's Constitution decrees that urban land is owned by the state and rural land is collectively owned by the peasants. Land is categorized by land-use right and land-owner right. This has provided the legal basis for land marketization and introduced a shift from free, indefinite and non-transferable use to compensated, limited-period and transferable use of state-owned land.
2. Under the Land Administration Law, the local government is the sole agency to change the nature of such land ownership in the name of public interest. It becomes the exclusive urban land supplier and sole governor of the land system, strongly controlling the land input and output.
3. Such dual-track land system has created many problems such as conflicts in urban regeneration and rural land expropriation, emergence of massive illegal housing construction and land contamination concerns.
4. These problems and conflicts are gaining in frequency and are often confrontational, leading to numerous law suits and petitions and threatening social stability. There is also the spillover effect on other sectors, for example, housing development.
5. Such land problems are a result of flaws in the regulatory framework of the land-use system, the price differentials between urban and rural land, the monopolistic power of the local government, the non-market mechanisms in the land market, etc.
6. Xu Shaoshi, the head of the Ministry of Land and Resources (MLR), stated on 30 May 2012 that "lots of crucial socio-economic issues in China today are directly or indirectly related to the land sector. China's land development has come to a critical point and a fundamental reform is needed".

7. In end May 2012, the State Council approved the Master Plan for Shenzhen's Land Management Reform (深圳市土地管理制度改革总体方案) proposed by the MLR and the Guangdong government. Many specialists and the media have hailed this as another land reform, rather than as adjustments or reclassification.
8. Shenzhen's reform is likely to challenge the regulatory framework of the land system with several breakthroughs made in housing with limited property right, revision of the auction, tender and quotation mechanisms over land-use right transfers, rectification of interest distribution derived from land appreciation, and adjustment of local government role in land use and so on.