

CHINA'S NEW INITIATIVES IN THE LAND SECTOR

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Executive Summary

1. China's varied landscape and rapid economic and urban development have resulted in numerous land problems (e.g. institutional obstacles in the transfers of use rights of rural land). The measures announced in the Third Plenary show the government's strong determination to reform the land sector.
2. The land reform aims to not only generate more land for urbanization and economic growth, but also eliminate the dual track land system by granting equal rights to both urban and rural land, and reducing rural and urban inequality by letting rural farmers benefit from the land sector.
3. Detailed measures include giving farmers the right to mortgage the operation right of their contracted land; encouraging more trials on the reform of the homestead system (e.g. withdrawal from the farmstead allocation system with compensation, and using farmstead as collateral); and increasing the use efficiency of existing urban land by restructuring the urban land supply system.
4. The reform of rural construction land for business operations is expected to break down the monopoly of the local government in urban land supply. Upon government's approval, the villages could trade the use right of rural construction land for business operations in the open market, rather than being expropriated by the government, and as stipulated by the law.
5. The government will still retain the dual-track land ownership, implying that the title-ship of converted rural construction land for business operations will remain as collectively owned. Thus urban construction land in the (near) future will include both state-owned and collective tenures, rather than the sole state-owned one at the moment.
6. The biggest obstacle to the use right transfers of rural construction land for business operation could be the resistance of local governments, which have relied heavily on land revenues for regional development. Without sustainable

alternatives, local governments might be reluctant to grant permissions for such transfers.

7. The Decision implies that the central government is acutely aware of the repercussions of making hasty moves in the land sector and tends to take a proactive yet cautious approach in processing the land reform. More pilot programmes particularly in the transfers of rural construction land are expected in the near future.
8. Overall, the reform agenda of the Third Plenary have been positive for future land development. Yet, the experience of the 2008 Plenary shows that the success of these measures will largely depend on the local governments, which wield considerable power in the land use and management system.