China’s New Land Reform: Land Policy Changes and Two Modes of Rural Transformation

In China, there are three kinds of rural land, namely, farmland, construction land and residential land. As opposed state-owned urban land, rural land in China is based on collective ownership with land use rights contracted to households. In November 2013, the Chinese government declared its intention to reform the rural land system and turn villagers’ land into marketable assets. The decision is dubbed the “new land reform”, with the goal of turning rural land into large farms, and hence scaling up agriculture.

Seeing that the new land reform is derived from the perfect model of rural modernisation, Professor Zhan Shaohua from the School of Social Sciences, Nanyang Technological University argues that the perfect model has never fully worked in China, and that this new land reform is likely to be adjusted. The perfect model argues that the transfer of rural population and rural land will ultimately lead to increase in income and profitability. The transform small plots of rural land into large farms will help achieve higher productivity, income and profitability, while rural population and land transferred to urban areas will lead to urban expansion, and in turn increase demand of agricultural goods.

One goal of the new land reform is to allow usage rights of rural land to be traded in the market directly without land expropriation. Particularly, the Chinese government hopes to transfer land use rights of farmland to large farms, agribusiness and rural cooperatives; rural construction land to urban industrial or commercial enterprises; and residential land to financial institutions and urban residents and investors. While this is expected to increase income for the rural population and profits for rural farming, this new reform based on the perfect model is imperfect in reality.

Most prominently, the urban labour market’s capacity to absorb labour has been decreasing. Migrant workers’ urban livelihoods are precarious and most of them need to rely on rural support for health care, pension insurance and housing. As a result, even with the government encouraging rural residents to convert to urban hukou, many have chosen to hold on to their rural hukou. There is also a lack of incentives for local governments in the new land reform, which involves reducing the scale of land expropriation and increasing compensations. These have been part of the main sources of income for local governments and their reduction will shrink local fiscal funds.

As opposed to the perfect model, Professor Zhan found that labour-intensive industrious revolution has become increasingly important. An industrious revolution refers to an economic change when great economic progress is made by and shared among a large population in rural areas. It usually takes place when peasants and rural entrepreneurs have access to and use land resources for farm and non-farm purposes. Despite the urban-biased policy of the Chinese government in the 1990s and the subsequent rise of land-intensive agrarian capitalism, the rural economy has continued to serve as the major source of livelihood for at least one third of the Chinese labour force. For the industrious revolution to have a substantial positive impact, however, there is a need for state policies to support community resource distribution and land rights for rural farmers, among other conditions.