

# China's initiatives towards rural land system reform

Jinlong Gao<sup>a,\*</sup>, Yansui Liu<sup>b</sup>, Jianglong Chen<sup>c</sup>

<sup>a</sup> Key Laboratory of Watershed Geographic Sciences, Chinese Academy of Sciences, Nanjing Institute of Geography and Limnology, Chinese Academy of Sciences, Nanjing 210008, China

<sup>b</sup> Institute of Geographic Sciences and Natural Resources Research, Chinese Academy of Sciences, Beijing 100101, China

<sup>c</sup> Key Laboratory of Watershed Geographic Sciences, Chinese Academy of Sciences, Nanjing Institute of Geography and Limnology, Chinese Academy of Sciences, Nanjing 210008, China

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## ABSTRACT

China has long been known for its dual-track urban and rural systems in both land use and human registration system. And the land has shaped the restructuring of Chinese state power and radically impacts state-society relations. In August 2019, the Standing Committee of National People's Congress enacted the new Law of Land Management, which takes a big step towards the urban-rural equalized development in China. We hereby comment on the overhaul of this law cornering the welfare of peasants and discussed the potential challenges the country may face in the revitalizing its countryside. Finally, we call for further institutional innovation in terms of the reform of the rural land system.

## 1. Introduction

Since the reform and opening-up in the late 1970s, China has undergone tremendous changes in the aspects of social and economic development. These remarkable changes can be attributed to the rural support for urban development (Bai et al., 2014). In particular, the eye-popping scale and pace of urban expansion in China came at the expense of rural land and agricultural profit (Ding, 2007; Liu and Li, 2017). As Zhou et al. (2020) summarized, about 4.7 million hectares of farmland were converted into construction land from 1978 to 2003 and 11.56 million hectares from 2003 to 2015 in China.

Despite the lack of a common definition on what is rural and what is urban, rural decline is today an undisputed fact and it has become a consensus as the world endeavors to promote urbanization (Liu and Li, 2017). The principal contradiction facing socialist China, as stated by President Xi Jinping in his report to the 19th National Congress of the Communist Party of China, has consequently evolved into the unbalanced urban-rural development and inadequate development in rural areas. This is to a large extent the result of the dual-track structure of rural-urban development (Liu, 2018), in particular of the long-lasting segmentation of land use system, which is also regarded as the major obstacle to the integration of urban and rural development.

Facing the new contradiction, China takes a big step forward. In August, the government enacted the new law of land management, which fully adopts the experience stemmed from the reform of “trinity

land” (see Table 1) in rural China. By separating the triple rights for contracted rural land (i.e., ownership, contract, and management rights) and integrating the urban-rural land markets, this renewed law will be of great help in promoting the balanced allocation of resources.

Prior to the promulgation of this new law, the pilot counties/districts, as pioneers of rural land system reform, have achieved a lot in both economic and social terms. It is reported that, by the end of 2018, more than 10,000 parcels of collectively-owned rural construction land covering an area of 6,000 ha, with a total price of about 25.7 billion yuan, were marketed in those pilot areas, generating 17.81 billion yuan revenues for local governments. At the meanwhile, a total of 5,600 ha idle and vacant homestead that had been ever used and now abandoned by 140,000 rural households in the pilot areas were transferred, 41 % of which were mortgaged for 11.1 billion yuan (Xie, 2019). This largely promoted the agglomeration of rural industries and the transition of rural development. The right national strategy is necessary. It is however not sufficient. It is policy initiatives that will make or break China's blueprint of urban-rural integration and rural revitalization.

## 2. Government impetus

Land use system has long been recognized as the core of institutional arrangement in a country. Analysts who hold the view that “China's reform being peasants' reform”, stress the importance of the reform of land use system (Oi, 1995; Xu and Tan, 2001; Lin and Ho,

\* Corresponding author.

E-mail addresses: [jlhao@niglas.ac.cn](mailto:jlhao@niglas.ac.cn) (J. Gao), [liuys@igsrr.ac.cn](mailto:liuys@igsrr.ac.cn) (Y. Liu), [jlchen@niglas.ac.cn](mailto:jlchen@niglas.ac.cn) (J. Chen).

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**Table 1**  
Reform experiences of rural land use system.

Reforms	Main experiences	Pilots (33)
<b>Contracted agricultural land requisition (LR, 3 pilots)</b>		
Scope and conditions	<ul style="list-style-type: none"> <li>- Land requisitioned is permitted for the following reasons: military and diplomatic, state-implemented infrastructure, public affairs, poverty alleviation, affordable housing project, and tract land development.</li> <li>- As a precondition, land requisitioned for tract development must be covered by the master plan of land use.</li> </ul>	Dingzhou, Horinger, Yucheng
Procedure	<ul style="list-style-type: none"> <li>- Local governments are required to sign agreements on compensation and resettlement with farmers prior to the acquisition.</li> <li>- If it is really difficult to reach an agreement, local governments are required to truthfully state prior to their application applying for acquisition, which shall be used for decision-making by the approval authority.</li> </ul>	
Compensation and insurance for farmers	<ul style="list-style-type: none"> <li>- The compensation is based on regional comprehensive land prices.</li> <li>- Houses are compensated as special properties, rather than attachments on the ground.</li> <li>- Land-expropriated farmers are covered by the corresponding urban social security system such as medical and endowment insurances.</li> </ul>	
<b>Collective operation land marketing (LM, 15 pilots)</b>		
Scope and conditions	<ul style="list-style-type: none"> <li>- As a precondition, marketed land must be industrial, commercial and other operational patches in the master plan.</li> <li>- Only legally registered collective land can be handed over to new users (either organization or individual) through conveyance or lease.</li> </ul>	Daxing, Zezhou, Haicheng, Jiutai, Anda, Songjiang, Deqing, Longxi, Changyuan, Nanhai, Beiliu, Wenchang, Dazu, Pidu (Pixian), Meitan
Rules and regulatory measures	<ul style="list-style-type: none"> <li>- The marketed collective land shall be used strictly subject to the function defined in the master plan.</li> <li>- The regulation of marketed collective land is similar to that of its state-owned urban counterparts.</li> </ul>	
<b>Rural residential land use (RL, 15 pilots)</b>		
Right to reside	<ul style="list-style-type: none"> <li>- County-level governments are allowed to build farmer's apartments and residential quarters in rural regions where the per capita land is limited or not all households can own homesteads.</li> <li>- All the construction must be based on the peasant's willingness.</li> </ul>	Jixian, Wujin, Yiwu, Jinzhai, Jinjiang, Yujiang, Yicheng, Liuyang, Luxian, Dali, Gaoling, Qushui, Huangyuan, Pingluo, Yining
Land approval	<ul style="list-style-type: none"> <li>- The use of existing homesteads can be approved by town/township officials.</li> <li>- If the occupation of agricultural land is involved, the formalities of agricultural land conversion are required.</li> </ul>	
Land apply and withdraw	<ul style="list-style-type: none"> <li>- Collective organizations impose fees on the following homesteads: beyond the prescribed standard; occupied by households with more than one residential plot; inherited by non-members.</li> <li>- Emigrants - resettled in urban areas - are encouraged to dispose of their residential land with compensation.</li> </ul>	

Note: In March 2015, China's central state carried out the pilot reform of "trinity land" in 33 counties/districts, including 3 LR pilots, 15 LM pilots, and 15 RL pilots. By October 2016, the first two reforms (i.e., LR and LM) were approved in all the 33 pilots, with the reform on rural residential land use being approved only in 15 RL pilots. Till December 2017, all the 33 pilots were approved the triple reforms. Translated from the *Summary Report of the State Council on the Pilot Project of Reforms on Rural Land Acquisition, Collective Operation Land Marketing, and Homestead System*.

2005). For several reasons, China's government nowadays see the innovation of the land use system as a policy priority as well.

First, the present system of rural land requisition in China is imperfect. Grounded on the concept of 'public interest', land acquisition system has been widely used in many countries and regions with fair and reasonable compensation for the affected parties of land acquisition (Ding, 2007; Tan et al., 2009). By comparison, there are other motives for land acquisition beyond the notion of 'public interest' in mainland China (Zhou et al., 2020). For instance, some are for the purpose of attracting external investment (Hui et al., 2013); some others are because of cities' over-reliance on income from land release (Zhang, 2018). We hereby argue that the very reason for this is that the definition of 'public interest' in China is legally ambiguous. Researchers have thus criticized the expropriation and conveyance of collectively-owned land use rights to commercial users (Zhu, 2018).

Second, unfair compensation for land requisition has become the most visible and contentious rural issue. Compensation should reflect the market value of land. In China, there are however no market data to adequately evaluate and appraise the value of farmland given the forbidden of land transaction in rural areas. As an alternative, the annual yield of farmland is employed to determine land value (Ding, 2007). While, the fact is that values of land are created by society rather than by landowners or occupiers. The current way in which land acquisition compensation is determined does not carry any of these market principles at all. Being insufficiently compensated, the land-lost farmers

become marginalized and may lead to profound implications on China's social development and political stability (Cao et al., 2008). In 2016 alone, the ministry of land resources received a total of 32,086 complaints in forms of letters and visits, 54.35 % of which were caused by land acquisition.

Third, to promote the integration of urban and rural development, China needs to shift from its current urban-biased land use policy. For a long time, rural collectively-owned land must be converted to state-owned land prior to the conveyance of land use rights (Ding, 2007). This largely distorts the land market and subsequently leads to urban deprivation of rural resources (Zhang, 2018). Research shows that segmentation of land markets is one of the key factors driving urban-rural inequality (Ding, 2003; Ravallion, 2014), and a large portion of China's income inequality is attributable to structural forces such as the urban-rural divide (Xie and Zhou, 2014). In 2018, the state designated a guide price of 2.04 million yuan per hectare for the conversion of rural construction land, which was about one-eighth of the average price of urban land transfer.

Fourth, ensuring farmers' usufruct rights of rural residential land is essential to revitalize the countryside. China is one of the world's fastest urbanizing countries. It is projected that 10–15 million Chinese people migrate from rural villages to urban areas on a yearly basis (Hui et al., 2013). Given its nature of welfare, rural residential land is however prohibited from trading according to the current law, even though some are idle or abandoned. Such that the hollowing villages with a huge

amount of inefficiently-used land became a widespread phenomenon in China. In 2017, the vacant and abandoned residential land amounts to 112,767 ha - accounting for 18.3 % of the construction land as a whole in rural Jiangsu, one of the most developed provinces in eastern China.

### 3. Policy initiatives

To promote the urban-rural equalized development and to guarantee the interests of peasants, the renewed law of land management takes three initiatives.

The law strengthens the role of market in the pricing system by reconfiguring the standard of compensation for agricultural land requisitions. With reference to the comprehensive land price, the standard of compensation shall be determined by provincial-level governments with the help of a zoning approach. And the comprehensive land price is no longer linear functions of the annual yield of agricultural land, but a multi-scalar dynamic function of locational, economic, and demographic variables in specific regions. By the way, the renewed law defines a clear notion of public interest (i.e., military and diplomatic, government-implemented infrastructure, public affairs, poverty alleviation, affordable housing project, and tract development), which has been enshrined in the constitution and land management law as the precondition of land requisition.

Second, collective operation land, with the exception of residential land, can directly enter the primary land market and be conveyed or rented to others without being converted to state-owned. By removing the clause that only state-owned urban land can be used for non-agricultural construction, this renewed law completely releases the resources and asset potential of collective construction land. In addition, new holders of the land use rights obtained through conveyance can further transfer such rights to others, rent to others, or use such rights as collateral, but subject to same regulations as state-owned urban land. Although the consent of more than two-thirds of the members of the collective organization is an essential prerequisite of land marketing, this renewal is still regarded as the most creative because of the breakthrough in the long-lasting segmentation of land markets in urban and rural regions.

Third, those emigrants - resettled in urban areas - are encouraged to dispose of their residential land in rural hometowns with compensation. Collective organizations are empowered to revitalize these vacated land and idle houses. In addition, the renewed law ensures every villager's access to housing by building peasants' apartments and rural residential quarters in regions where the per capita land is limited or not all households can own homesteads. This is exactly the major supplement and improvement of the current "one homestead per household" system. Considering the long journey from rural farmers to urban citizens, local states are strictly prohibited from forcing farmers to withdraw from their homesteads and cramming them into apartments against their will.

### 4. Implementation challenges

The overhaul of this land-oriented law indeed has a positive impact on coordinating urban and rural development on the one hand, but may also challenge the revitalization of rural countryside in the following aspects on the other.

In the past decades, rural residential land - as a set of welfare for members of collective economic organizations - is distributed with no time limit and free of charge. This played a positive role in reducing the burden on farmers and protecting their right to live on one hand, but also resulted in the problem of over-standard land occupation and "one household with multiple homesteads" on the other (Liu et al., 2013). Since 2015, the nationwide reform of "trinity land" in 33 pilots has explored the paid use system for rural homesteads (see Table 1). To reduce the burden on farmers and give them more sense of gain, the reformers do not adopt this common practice, though it has been widely welcomed by pilot areas. Without fair distribution of homesteads, the renewed mechanism of withdrawing with compensation may further aggravate issues of inefficient land use and village hollowing. By the end of 2015, there had been 2.7 million rural settlements in China, covering an area of 19.13 million hectares, about one-ninth of which is idle and wasteful (MLR and NDRG, 2017). Scholars have also reported that about 20 % of the rural houses has been uninhabited for a long time in rural China (Wei et al., 2018).

In terms of the land market, capital always follows profit. The opening of the primary market to collective operation land may trigger unpredictable investment from urban capitalists into the countryside. Such that rural development might fall into the vortex of project/construction fever, which has been witnessed in urban China over the past decades. To be frank, tenant resettlement in urban areas is probably one of the biggest problems that developers have to deal with (Ding, 2003). This consequently makes the countryside the primary areas for land development with the help of this renewed law of land management. We can thus hardly deny that the coming rural construction with the influx of capitals into the countryside would neither encroach on arable land, raising concerns about food security. Research has shown that about half of urban growth in past decades is at the expense of arable land in China (Bai et al., 2014).

Additionally, given that green-land development is more profitable and easier-to-operate (Gao et al., 2017), the market circulation of incremental rural construction land enables the local state to develop at low cost and will, therefore, cool their enthusiasm for making better use of the existing inefficiently used land in rural areas. Particularly, low costs and the presence of a high demand for land had been two major reasons for rapid development in rural areas (Ding, 2003). It is estimated that the cost of land accounts for 30–40 percent of the total costs for green-land development, significantly lower than 60–70 percent of redevelopment. It is therefore difficult to contain and control land expansion in the countryside. This well echoes the paradox that rural land use has increased steadily since the 1990s, though the registered

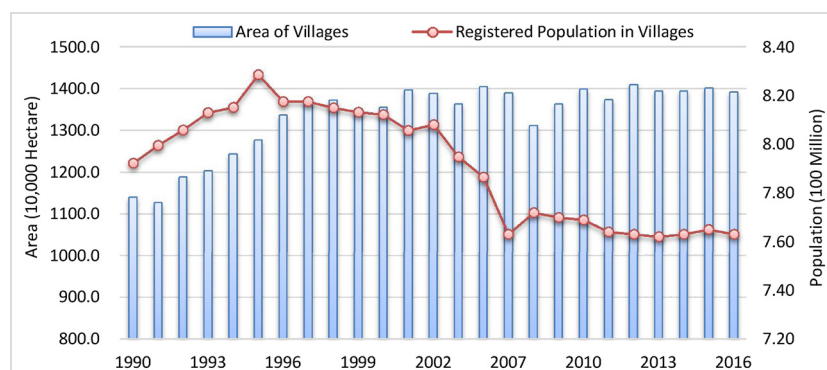


Fig. 1. Declining paradox in rural China.

population in rural villages has declined (see Fig. 1).

In the benefit-sharing terms, neglecting the distribution of the value-added income of collective operation land marketing raise problems. Rural collectives - as landowners - can obtain income from land marketing. Without a clear mechanism of the income distribution, the sustainability of land marketing, however, faces challenges. From the perspective of ownership, the benefit of land marketing should indeed be for rural villagers. Considering the root of value-added, the benefit should also be attributed to the local state's struggle in infrastructure construction and regional planning. In addition, the difference in locations of villages - originally unimportant - is manifested in values, which subsequently widens the gap in property volumes of villages. Anyway, reform is always on the way. Though this renewed law of land management has taken a big step, further struggles are still expected. local officials should take the responsibilities of promoting the even development between urban and rural regions on one hand, and keeping the gap among rural villages with different locations from widening on the other (Gao et al., 2019).

## 5. Ways forward

In 2017, President Jinping Xi delivered the strategy of 'rural revitalization' at the 19th National Congress of the Communist Party of China. The ultimate driver of rural revitalization is - and should continue to be - the aspiration of rural people to live a better life. It is rural residents who should have a say in shaping their hometowns. They are the ones who will give the verdict on, and live with, the outcome of China's rural land use policy. In this case, China calls for further institutional innovation based on experiences stemmed from pilot counties/districts.

First of all, rural residential land use right shall be acquired at a stepped tariff rather than free of charge, particularly for those households with more than one residential plot or with the per capita area beyond the prescribed standard. This can to some extent keep rural residents from applying for extra homesteads and help to cool down the frenzy of land conversion from agricultural to non-agricultural uses. Furthermore, the access to the primary market is hereby suggested to be limited to those existing construction land rather than incremental ones. Without such limitations, existing land can hardly be effectively rejuvenated because of the complexity of land redevelopment (Gao et al., 2019).

Secondly, rural residential land acquired for a fee shall be freely transferable or convertible. In accordance with the inherent requirements of rural revitalization, the property rights of rural residential land or house should be fully manifested, which can financially support those rural-urban migrants to resettle in cities on the one hand and address the concerns of returning migrants regarding the place of residence in countryside on the other. By converting the residential land into operation land, local villagers can engage in various commercial activities and in turn boom the industry in countryside. Given that the transfer of operation land in rural China is a complex process involving a multitude of activities conducted by numerous stakeholders, the distribution of benefits acquired from rural collective land marketing shall be highlighted. This may be of great help in guaranteeing both the welfare of villagers and the sustainable development of villages, which is also the primary aim and principle of this renewed law.

In conclusion, current urban-biased land use policies have resulted in many development issues that have hindered rural sustainability (Liu et al., 2018). Though the renewed law has taken a big step toward the urban-rural integration. It is urgent to implement corresponding land strategy adjustment to solve those ongoing issues. In the process of developing new types of urbanization, China must focus on implementing a rural revitalization strategy, deepening the reform of the rural land system. China's initiatives towards rural land system reform

may provide implications to the urban-rural integration for other transitional nations. But to succeed, a tailored and adaptive policy approach that engages with local institutional contexts will be crucial.

## CRediT authorship contribution statement

**Jinlong Gao:** Conceptualization, Data curation, Writing - original draft, Writing - review & editing. **Yansui Liu:** Conceptualization, Supervision, Validation. **Jianglong Chen:** Resources, Investigation, Validation.

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