

Tackling the Land Issue—Carefully

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Thirty years after undergoing a major revolution in rural areas as communes were broken up and the Household Responsibility System reinstated family farming (but not property rights), China is facing another major change in rural life as commercial agriculture spreads and as peasants migrate to the cities. This revolution in rural affairs, however, has been much more difficult: Cadres and peasants contend over land rights, growing income gaps between urban and rural areas fuel social discontent, and cities resist extending urban services to rural migrants. As the recent decision of the Third Plenum shows, China's leaders are confronting the difficult issues involved, but are doing so cautiously. The Plenum decision also suggests that socially contentious issues which have boiled over in many places will continue for years to come.

On the eve of China's 1 October National Day, General Secretary Hu Jintao paid a high-profile visit to Xiaogang, the northern Anhui village credited with launching China's rural reform in 1978. Arriving at the village, the general secretary inspected a mushroom production facility that had recently been constructed by students from Anhui Science and Technology University. Built on an area of 150 *mu* (亩; 1 *mu* = 0.0667 hectare)¹, the mushroom sheds employ scientific knowledge to help the farmers earn higher incomes. The brief stop highlighted two themes that would be prominent in the Third Plenary Session of the 17th Central Committee: the need to consolidate land holdings to undertake larger-scale production and the importance of science and technology in raising yields.

Having praised this model of modern agriculture, Hu then talked to a number of peasants, including several who had put their thumbprints on the famous contract that had declared they would practice household farming and raise the children of anyone arrested for violating Party policy. Hu assured them that the household responsibility system remained the “cornerstone” of the Party's rural policies, and that their current contract relations could be maintained “for a long time without change” (*changjiu bu bian* 长久不变). Even more important, Hu went on to say that, on the basis of the peasants' wishes, they could “transfer” (*liuzhuan* 流转) their land management rights and develop “appropriate scale management” (*shidu guimo jingying* 适度规模经营), such as the mushroom production base.²

Hu Jintao's reassurance that land contracts could be extended indefinitely was important. Land contracts in China are for 30 years, and thus they were coming up for renewal in many places. But Hu's choice of words—“for a long time without change”—

reflected a compromise among different views within the Party. Some wanted the length of land contracts to be set at 60 or 70 years, others wanted land to be privatized, and still others hoped land management could be nationalized.

Other reports made it clear that the Xiaogang village of today is hardly the Xiaogang village that embarked on rural reform three decades ago. Although per capita annual income had risen to 6,000 yuan (about \$880) in 2007 (from 22 yuan in 1978), the lack of industry made it impossible for the village to get rich. Accordingly more than 80 percent of the young people had left the village to find work in the cities, and farm work in Xiaogang, as in many poorer areas in China, was left mainly to the young and the old. In an effort to spur economic growth, villagers in Xiaogang had begun transferring their land management rights several years ago. This concentration of land allowed a wealthy village in Jiangsu Province to invest 1.7 million yuan to develop 80 *mu* of land in Xiaogang on which it grew grapes. The income from this grape production accounted for 40 percent of the farmers' annual income. Similarly, Yan Jinchang, one of the 18 peasants who had put his thumbprint to the famous contract 30 years ago, had leased 10 *mu* of his land to a livestock breeding company in Shanghai.³ In short, Xiaogang village now is no longer a model for the household responsibility system but rather a pioneer in the development of commercial agriculture—the direction in which China's leadership would apparently like to guide China.

The desire to explore new forms of commercialized agriculture was also apparent in Hu Jintao's September visit to Henan, the largest agricultural province in the country. Hu urged it to "unswervingly speed up the new pattern of integrating the economic and social developments of the urban areas with those of the countryside." The *Henan Daily's* report on Hu's visit noted that the day after he left, Qinyang City "once again carried out a bold exploration" by selling the contracted management rights to some 2,200 *mu* of land, the first such sale in China.⁴ The message of commercial agriculture was also carried by Premier Wen Jiabao, who visited the northwest province of Ningxia in August and inspected an agricultural cooperative in Hongguang town. Hearing that earnings per *mu* had been increased by 300 yuan, Wen declared, "You have achieved through the cooperation of specialized households what individual households could not achieve. This is a good way to make farmers rich."⁵

The idea of allowing land to circulate so that larger parcels can be put together to carry out commercial agriculture is not new. The central authorities began encouraging the transfer of land as early as 1993, and some large enterprises began to lease farmers' land on a long-term basis in the mid-1990s.⁶ Indeed, in some eastern provinces, the rate of land exchange is as high as 30 to 40 percent.⁷ And the Party's main rural policy pronouncement, "Document No. 1," issued in late January this year (2008), called for establishing a market to exchange land operating rights.⁸ Moreover, the Chinese government seemed to be preparing the way for extensive rural reform earlier this year when it promulgated the "Opinions on Comprehensively Promoting the Reform of the Collective Forest Property System." This document set contracts for forest management for 70 years, set out clear property rights, and allowed contractors ownership rights, including the right to transfer, lease, or mortgage the property.⁹ The extensiveness of this

reform led economist Li Yining to call it even more significant than the development of the Household Responsibility System in Xiaogang village.¹⁰ Despite this preparation and buildup, the Third Plenum agreed upon a cautious document, albeit one that appears to pave the way for the legalization of land transfers (as opposed to the extra-legal ways in which it has happened in recent years).

The Third Plenum

The various leadership visits described above set the tone for the Third Plenum, which convened in Beijing 9–12 October. The meeting was attended by 202 full members of the Central Committee, 166 alternate members, “responsible comrades” of concerned departments, and others. One previous member of the Central Committee, Yu Youjun, the vice minister of Culture, could not attend because, as the Plenum’s Communiqué explained, the Politburo had decided to remove him from the Central Committee;¹¹ other media made clear that he had been placed on probation within the Party for two years as the result of helping a relative make illicit gains when he (Yu Youjun) had been mayor of Shenzhen (he served as mayor of Shenzhen from April 2000 to May 2003).¹² There was no explanation for the other missing member of the Central Committee, whose name was not released.

The Central Committee listened to a work report given by Hu Jintao as well as an explanation of the “Decision of the CCP Central Committee on Some Important Questions in Promoting the Development of Rural Reform” that was given by Vice-Premier Hui Liangyu.¹³ In line with the leadership statements cited above, the Decision noted that the “dual, urban-rural structure has created deep-rooted and prominent contradictions” and that the “disparity in development between different regions and in the incomes of urban and rural residents is widening.” Accordingly, the Decision called for establishing “integrated systems and mechanisms for urban and rural economic and social development” by the year 2020; the doubling of rural incomes from 2008 levels, in the same time frame; and making a “clear advance” in equalizing basic public services in the urban and rural areas, including education, health care, and support for basic living. The Decision repeated Hu Jintao’s call for contracted land relations to be “for a long time without change” (*changjiu bu bian*), but also stated that “unified operations must transform in the direction of developing household alliances and cooperation.” It was necessary, the Decision said, to “develop the collective economy,” and to “foster new types of farmers’ cooperative organizations.” It also called for establishing a “sound market for the transfer of the right to operate on contracted land” through various forms, including subcontracting, leasing out, swapping, transfer, shareholder cooperation, etc.”¹⁴

Why Now?

There are many reasons China’s leaders chose to focus their attention on rural issues at this time. There have been a large number of “mass incidents” in recent years. With the abolition of the agricultural tax in 2006, conflicts between local cadres and farmers have

revolved around the requisition of land. As Hong Kong's *Shang Pao* noted, "hatred of the rich and of officialdom" has been gaining in strength.¹⁵ Similarly, *Southern Weekend* reported that the Land and Resources Ministry received "hundreds of thousands of complaints from farmers every year."¹⁶ Some 200,000 hectares of land are requisitioned from China's farmers every year, and conflicts arising from these requisitions account for over 65 percent of the mass incidents.¹⁷

Social order problems, however, were not all that was concerning decision-makers. As *Liaowang* newsweekly reported, the growth of China's economy has been increasing demand for agricultural products as urban residents seek better diets, including more meat, and that has spurred price increases and imports. Imports seem to have been a particular concern, given China's fixation on food security. As Xin Ming, a professor at the Central Party School, put it, "the worldwide grain crisis has alarmed China." As the press pointed out, China's negative experience in purchasing iron ore and crude oil meant that the country simply could not count on the international market to feed the people.¹⁸ The quantity of China's agricultural imports is equivalent to crops raised on some 30 million hectares of land.¹⁹ Considering that China's cultivated land is about 120 million hectares, that is a substantial percentage (25 percent).

In addition, the income gap between urban and rural areas has created so many complaints in the countryside that can only be addressed by developing a system that would "treat urban and rural workers equally." It is necessary, *Liaowang* said, to "ensure that migrant workers who have worked and lived in cities for a long time are treated as urban residents in terms of social rights, the way of life, and other aspects." In other words, it is necessary to address the issue of household registration (*hukou* 户口), the residence system that has divided China's citizens between "rural" and "urban" residents and created a dual socio-economic system.

Finally, the temptation to return to Xiaogang, the symbolic beginning of reform, in this 30th anniversary of the launching of rural reform, was no doubt too much for central leaders to resist.

The Ownership Issue

Perhaps the most sensitive issue needing to be negotiated was that of ownership. Clearly some reformers hoped the plenum would tackle this issue head-on, as the forest property reform did. As the eminent reformer Gao Shangquan told Hong Kong's Phoenix TV, "If the peasants are allowed to sell their land, their income will increase—so will domestic demand for a variety of goods and services on the mainland."²⁰ Similarly, sociologist Yu Jianrong said that land should "truly become farmers' property." This would facilitate the concentration of land and, by giving the farmers recompense if they chose to sell their land, it would encourage the flow of farmers to cities.²¹ China's farmers could also see the importance of ownership: it would allow mortgage rights, and that would allow them, as one said, "to obtain loans which can be used to enliven operations in agriculture" (or, one might add, move to the city).²²

Clarifying ownership rights is also critical to redressing the imbalance between cadres and farmers in the rural areas. This relationship, of course, has been at the crux of mass incidents, and the reason is quite simple: under the current system the “collective” owns the land, and the farmer cannot bargain on an equal basis with potential buyers of the land. Accordingly, farmers do not benefit from the high prices at which the land is sold—and they resent the village cadres who benefit from the sale of the land.

Despite the clear benefits that would accrue to farmers from receiving ownership and mortgage rights, the Decision shied away from such drastic change, stating explicitly that “circulation of the right to operate on contracted land cannot change the collective ownership of the land.” As Chen Xiwen, the head of the Central Rural Work Leadership Small Group Office, said, the Decision does not permit privatization or the free sale of land.²³ Part of the reason for this caution was concern that real estate developers might seize the opportunity to press farmers to sell their land. Thus, Chen Xiwen said clearly that the Decision does not permit real estate developers to buy agricultural land. On the contrary, even land that lies outside the scope of urban plans must comply with the land use regulations of an area.²⁴ Chen’s quick reaction reflects central government concerns that the Decision might be used to accelerate the requisition of rural land whereas its intent is indeed to prevent land grabs.²⁵

The Household Registration System

The Third Plenum Decision calls for achieving an “integrated system” promoting both urban and rural areas, including the “free flow” of factors of production between the two. Accordingly, it calls for allowing farmers who have steady employment and residences in small and medium-sized cities to “convert to urban residency in an orderly manner.”²⁶ But reforming the household registration system in China is extremely difficult given both its longevity and its importance in social control. However difficult it may be, senior rural specialist Lu Xueyi argues (as he has long done) that reforming the household registration system is essential to eliminating the dual urban-rural structure that has been so much a part of contemporary China but has consigned farmers to a second-class existence. Lu argues that only by eliminating the differences between urban and rural residents can “farmers regain equal national treatment” and “join the competition in the socialist market economy.”²⁷ Eliminating barriers between urban and rural citizens is a matter not only of social fairness but also of maintaining social order. Migrant workers facing long-term discrimination in cities are likely to disrupt social order.²⁸ One solution suggested by Liu Yingxia, a standing committee member of the All-China Federation of Industry and Commerce, is that migrant workers could establish urban residency by “trading land for social security.”²⁹

Financial Issues

Another serious issue outlined by the Third Plenum Decision is that of credit. The Decision called for making “innovations” in the rural finance system, including accelerating the establishment of a rural finance system that combines commercial financing, cooperative financing, and policy-type financing, and that has ample capital, a full set of functions, perfected services, and a safe mode of operation.³⁰ What form this will take is not clear from the Decision, but China has been moving slowly to recognize small-scale, private banking. In March, the Yilong Huimin Village Bank in Sichuan became the first authorized rural bank in China. Moreover, the China Postal Savings Bank was granted the right to provide loans.³¹ Similarly, the Banking Regulatory Commission issued six documents in 2007 regarding private banking, and the “concerned department” is currently drafting “Regulations on Private Borrowing and Lending.”³²

Land Exchanges

On October 13, the Chengdu Rural Property Exchange was unveiled. According to director Qin Shikuei, already one-third of the arable land in Chengdu had been transferred (through a “variety of transfer mechanisms”) in an effort to create economies of scale. He hoped that within a decade 75 percent of land would be aggregated to support scaled operations.³³ A month later, on November 26, the Fourth Plenary Session of the Third Chongqing Municipal Party Committee passed the “Decision on Accelerating the Development of Rural Reform,” which calls for establishing a rural land exchange.³⁴

The Chongqing decision comes in the wake of a major land scandal unfolding in the city (apparently not affecting agricultural land) that has ensnared over 30 officials, including Wang Zheng, head of the municipality’s discipline inspection commission.³⁵ Although apparently unrelated to the corruption scandal, the central government shut down an experiment in Chongqing that had allowed farmers to trade their land-use rights for shares in agricultural enterprises.³⁶ The reason for this action appears to be that farmers were being pressured to trade their land-use rights for meager and uncertain payoffs. For instance, in Qilin village in Chongqing’s Shijie County, land was taken from farmers to create a tangerine orchard—but it takes three or four years for the trees to bear fruit, and until then, the farmers receive little if any recompense for their land.³⁷

Implications

In many ways, the growing revolution in the transfer of land has been a bottom-up movement as enterprises with the help of local governments have moved farmers off their land, often for little remuneration, while they set up commercial farms. This movement has evoked comparisons with the “enclosure movement” of 18th-century England, and has been a source of social discontent and intellectual criticism. Now, the central government has tried to set out a vision for the orderly transfer of land rights and gradual

integration of urban and rural areas. In doing so, it has tried to balance competing values. On the one hand it has sought to reassure farmers about their right to continued use of their contract land, while on the other hand it has urged that land be consolidated so that commercial farming can be developed. At the same time, the government has tried to balance urbanization with its desire to avoid the sort of rapid growth that would result in slums. Moreover, the land issue in the countryside cannot be solved without addressing the household registration system—but that system is so deeply embedded in China’s political system (and control mechanisms) that it can only be changed gradually. Given all the competing interests, it is not surprising that the Party opted for a cautious document.

Nevertheless, in avoiding the ownership issue, the Party leaves the farmers vulnerable to pressures from local officials and enterprises, and seems to leave in place a system that has been giving way for years in the face of economic pressures. This appears to be a recipe for continued rural conflict and for the continued disenfranchisement of China’s farmers. Nevertheless, having sidled up to the property rights issue by announcing that land contracts would “not change for a long time” and calling for an orderly marketization of land transfers, perhaps the Party has opened the way for greater change in the future.

Notes

¹ Perhaps a better way of thinking about one *mu* of land is that it is approximately equal to the space between the goal line and the 15-yard line on a football field.

² “*Hu Jintao zong shuji zai Anhui nongcun kaocha jishi*” [Secretary General Hu Jintao’s inspection of rural Anhui], *Xinhua*, 30 September 2008.

³ Hu Jinhai and Bo Yong, “*Anhui xiaogangcun reng zai kuxun zhi fulu*” [Anhui’s Xiaogang village is still struggling to find the road to prosperity], *Ta Kung Pao*, 11 October 2008, p. A15.

⁴ Yang Ling, “*Shenke bawo tuijin nongcun gaige fazhan de zhongdian renwu*” [Deeply grasp promoting the central task in developing rural reform], *Henan ribao*, 24 September 2008.

⁵ Wang Zaili, “*Wen Jiabao zongli kaocha Ningxi Huizu zizhiqu jixing*” [Premier Wen Jiabao inspects Ningxia Hui Autonomous region], *Xinhua*, 17 August 2008.

⁶ Ma Changbo and Su Yongtong, “*30 nian hou, you shi yige ‘sanzhong quanhui’*” [After 30 years, another ‘third plenum’ comes about], *Nanfang zhoumo*, 9 October 2008.

⁷ Ma Juan and Hu Jingyan, “*Nongcun tudi zhidu biange de shiji yijing daolai*” [The time to reform the rural areas’ land system has arrived], *21 shiji jingji baodao*, 20 October 2008.

⁸ Ma Changbo and Su Yongtong, “*30 nian hou, you shi yige ‘sanzhong quanhui’*.”

⁹ Zhonggong zhongyang guowuyuan, “*Guanyu quanmian tuijin jiti linqun zhidu gaige de yijian*” [Opinion on comprehensively promoting the reform of the collective forest property system], *Xinhua*, 14 July 2008.

¹⁰ Ma Jun, “*Quanguo zhengxie changwei Li Yining: yao zai qidong neixu shang duozuo wenzhang*” [Li Yining, member of the standing committee of the national CPPCC: More efforts should be made to boost domestic demand], *21 shiji jingji baodao*, 27 October 2008.

¹¹ “*Zhongguo gongchandang di shiqi jie zhongyang weiyuanhui disanci quanti huiyi gongbao*” [Communiqué of the Third Plenary Session of the 17th Central Committee of the Chinese Communist Party], *Xinhua*, 12 October 2008; “*Yu Youjun liudang chakan liaocheng zhongwei*” (Yu Youjun placed on inner-Party probation but removed from the Central Committee), *Ming Pao*, 2 October 2008.

¹² “*Yu Youjun bei che zhongyang weiyuan zhiwu*” [Yu Youjun removed from Central Committee], *Nanfang dushi bao*, 13 October 2008.

¹³ “*Zhongguo gongchandang di shiqi jie zhongyang weiyuanhui disanci quanti huiyi gongbao*.”

¹⁴“*Zhonggong zhongyang guanyu tuijin nongcun gaige fazhan ruogan zhongda wenti jue ding*” [Decision of the CCP Central Committee on some important questions in promoting the development of rural reform], *Xinhua*, 19 October 2008.

¹⁵ Xi Mengzhou, “*Sanzhong quanhui*” (The third plenum), *Shang Pao*, 6 October 2008.

¹⁶ Cited in Josephine Ma, “Beijing Moves to Stop Land Being Taken from Farmers,” *South China Morning Post*, 17 October 2008.

¹⁷ Cui Keliang, “*Nongcun gaige de genben chulu: pochu ‘eryuan jiegou yu zhidu’*” [The fundamental way out in rural reforms: Break through the “dual structure and system”], *Zhongguo jingji shibao*, 6 June 2008.

¹⁸ Ma Changbo and Su Yongtong, “*30 nian hou, you shi yige ‘sanzhong quanhui’*.”

¹⁹ Han Jun, “*Xunqiu nongcun gaige xin tupu*” [Searching for a new breakthrough point in rural reform], *Liaowang*, no. 41 (13 October 2008):26–28.

²⁰ Phoenix Television (Feng Huang Wei Shih Tsu Hsun Tai), 8 October 2008, translated by OSC, CPP20081009715030.

²¹ “*Tongchou chengxiang fazhan he chengxiang yitihua shi quanhui shifang de zui qianglie xin hao*” [Comprehensive development of urban and rural areas and the integration of urban and rural areas are the strongest signals sent by the Third Plenum], *Nangfang zhoumo*, 13 October 2008.

²² Sun Xiaolin, “*Zhongyang lingdao modi defang nongcun gaige*” [The central leadership feels for the bottom line in rural reform], *21 shiji jingji baodao*, 7 October 2008.

²³ Josephine Ma, “Beijing Moves to Stop Land Being Taken from Farmers,” *South China Morning Post*, 17 October 2008; Zhang Shuo, “*Zhonggong dangxiao xuezhe: Sanzhong quanhui nengfou tuidong tudi zhidu gaige beishou guanzhu*” [Central party school scholar: Widespread attention to whether the Third Plenum can promote reform of the land system], *Zhongguo xinwen she*, 9 October 2008.

²⁴ “*Chen Xiwen jiedu nongdi zhidu gaige*” [Chen Xiwen interprets the rural land reform], *Caijing*, 25 October 2008.

²⁵ Josephine Ma, “Beijing Moves to Stop Land Being Taken from Farmers”; Zhang Shuo, “*Zhonggong dangxiao xuezhe: Sanzhong quanhui nengfou tuidong tudi zhidu gaige beishou guanzhu*.”

²⁶ “*Zhonggong zhongyang guanyu tuijin nongcun gaige fazhan ruogan zhongda wenti de jue ding*,” *Xinhua*, 19 October 2008.

²⁷ Shen Jianli, “*Rang nongmin hude shichang jingjing de ruchangjuan*” [Let peasants enter the market economy], *21 shiji jingji baodao*, 13 October 2008.

²⁸ Yu Wei, “*Eryuan honggou buhui yiye tianping, dangqian huji gaige qi wang guogao*” [The gulf in the dual economic structure will not be filled in overnight; expectations for reform of the current household registration system are overly high], *Nangfang dushi bao*, 11 October 2008.

²⁹ *Ibid.*

³⁰ “*Zhonggong zhongyang guanyu tuijin nongcun gaige fazhan ruogan zhongda wenti de jue ding*,” *Xinhua*, 19 October 2008.

³¹ Wang Shiling, “*Xin nongcun jianshe yinian, tizhi gaige nandian xu tupu*” [After one year of the new rural construction there must be breakthroughs in the hard points of system reform], *21 shiji jingji baodao*, 5 March 2007.

³² “*Tongchou chengxiang fazhan he chengxiang yitihua shi quanhui shifang de zui qianglie xin hao*.”

³³ “*Chengdu: Yao liuzhuan tudi chengbao quan, dao nongcun changquan jiaoyisuo qu*” [Chengdu: If you want to transfer land contract rights, go to the rural property rights exchange], *Xinhua meiri dianxun*, 14 October 2008.

³⁴ “*Chongqing yu she nongcun tudi jiaoyishuo, shi tudi jiage shichanghua*” [Chongqing desires to establish a rural land exchange, allowing land prices to be marketized], *Zhongguo jingji wang*, 28 November 2008.

³⁵ Deng Hai, “*Chongqing dichan an lianhuantao*” [Chongqing land case network], *Caijing*, 23 October 2008.

³⁶ Josephine Ma, “Radical Land-Rights Scheme Halted,” *South China Morning Post*, 11 November 2008.

³⁷ Josephine Ma, “Benefits of Land-Transfer Experiment Slow to Take Root,” *South China Morning Post*, 8 October 2008.