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# Main Problems and Government Action in Rural Land Circulation of China

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**Abstract** On the basis of introducing and defining the concept of rural land circulation, this paper discussed the inevitability of rural land circulation in China and analyzed the main problems in the rural land circulation. Finally, it came up with some pertinent recommendations for the government in the rural land circulation in China, including formulating the relevant administrative rules and regulations, improving the rural land circulation policy system, improving the rural social security system and relieving the worry of farmers in land circulation, energetically promoting institutional construction, and actively cultivating rural land circulation market.

**Key words** Rural land circulation, Main problems, Government action

## 1 Introduction

Rural land circulation is the basis for promoting the scale operation of agriculture, increasing the income of farmers, promoting the transfer of rural surplus labor to cities and realizing the goal of urbanization. However, rural land circulation in China still remains in a relatively inefficient, disorder, and even chaotic state, which damages the interests of farmers and exerts an adverse effect on rural social and economic development. We discussed these problems in this paper, came up with recommendations for government to give full play to its social management and public service functions, so as to provide a good legal environment, market environment and social security for the smooth development of rural land circulation.

## 2 Concept and definition of rural land circulation

The "three land rights" in China refer to ownership, contracting right and management right, in which the ownership is owned by the state and the contracting right is owned by the individual or the collective, and the management right can be transferred. For the concept of land circulation, there is still no unified understanding in current legal provisions and theoretical researches. Generally, there are mainly two ideas: first, land circulation is the circulation of land contracting right. According this definition, the land circulation also includes two specific forms of circulation: (i) farmers transfer the right to use, retain the contracting right and contract, get the proceeds and contract; (ii) management right and the right to use are transferred together, and farmers no longer retain any rights. Second, both rights and functions of land are circulated. According to this definition, land circulation refers to the collective having rural land ownership or farmers having land contracting right and management right transferring the land use right to other subjects in the form of subtracting, subletting, transfer

and mortgage, buying shares, etc. It mainly refers to changes in purpose of use in the circulation process. In this study, rural land circulation refers to circulation of land use right, in other words, farmers who have land contracting and management rights transfer the land management right (land use right) to other farmers or economic organizations, retain the contracting right but transfer the land use right, and obtain certain benefits.

## 3 Inevitable trend of rural land circulation

**3.1 Land circulation is an inevitable requirement for promoting scale operation of agriculture and increasing the production efficiency** China has not fully realized the transformation from the traditional agriculture to the modern agriculture, mainly manifested in the aspect of the production input, such as the small scale of agricultural production, the relatively backward mode of operation, the low degree of information technology and the little scientific and technological content, consequently leading to low production efficiency and low production benefits in output aspect. Land circulation is a proper way of promoting the large-scale operation of agriculture. It can promote the rational use and optimum allocation of resources and can produce transaction income effect. Besides, land circulation can produce marginal output leveling effect, in other words, realizing the transfer of land from farmers with low marginal output to farmers with high marginal output, so as to increase the resource allocation efficiency. In addition, land circulation inevitably promote transformation of agricultural production from traditional operation to large scale, scientific and technological, information-based, and industrialized agriculture, and transformation from traditional extensive "input-output" mode to modern intensive agricultural production mode, so as to increase the agricultural production efficiency and benefits.

**3.2 Land circulation provides an opportunity for increasing the income of farmers and narrowing the gap between urban and rural areas** According to successful experience of western

developed countries in rural development, to make farms get rich, we must reduce the number of farmers. At present, it is difficult and imperative to increase farmers' income. Main reason for this lies in the fact that there are too many rural labors, which have exceeded the maximum carrying capacity of the limited land. Land circulation can realize the goal of increasing farmers' income from flow-in and flow-out of land. In the flow-in section, land circulation promotes the transformation of agriculture from traditional agriculture to modern agriculture, realizes the transformation agricultural operation from the small-scale backward operation of individual economy to the advanced large scale operation of production cooperatives, increases the information and science and technology content, reduces production costs, and increases farmers' income. In the flow-out section, rural surplus labors are liberated from land, voluntarily move to cities and engage in new fields and works, and their income in cities is greater than the income obtained from farming.

**3.3 Land circulation is the basis for realizing the transfer of rural surplus labors and promoting the process of urbanization** Small scale production and operation mode with farmer as unit has serious problem of land fragmentation. It not only restricts the development of China's modern agriculture, but also makes farmers have difficulty in getting rid of binding of land, impedes transfer of farmers to cities, and is not favorable for realizing the goal of urbanization. Land circulation provides two driving forces (namely pushing force and pulling force) for transfer of rural surplus labors to urban areas, and accelerates the transfer of rural surplus labors. The pulling force comes from the expansion demand of rapid development of urban economy for labors. The gap of labor shortage needs filling of rural surplus labors, to realize rapid and sustainable growth of urban society and economy. The pushing force mainly comes from increase in the production efficiency. Land circulation promotes the agriculture to develop towards large scale, informationization and industrialization. Agriculture fails to carry so much manual labor any more, and there appears rural surplus labor. To obtain higher income, rural labors have to go out.

## 4 Existing problems in rural land circulation

**4.1 Laws and regulations are not clear, and rural land circulation lacks relevant legal protection** Firstly, at present, China's rural land circulation lacks special legal provisions, and it is difficult to make an effective regulation over the land circulation. China's legislative bodies have not formulated a unified *Law on Rural Land Circulation*. Besides, there is neither clear definition of nature of property rights in rural land circulation, nor clear definition about the scope, form, rights and obligations, principles and procedures, circulation contract, land use purpose, methods for settlement of disputes, and legal liabilities of land circulation. Secondly, the ambiguity in the concept of existing laws and regulations leads to poor operability of maintenance of the rights in the land circulation. For example, in *Land Administration Law* and

*Civil Law*, concepts concerning the land circulation include "collective ownership", "contractual management right", and "right of inheritance". However, for the implementation of laws and policies, local government came up with some new ideas, such as "possession right", "leasing right", "tenancy right", "transfer right", and "disposition right" and so on<sup>[1]</sup>, resulting in inconsistent concept. And they did not make clear definition of these concepts. As a result, it may lead to disputes and damage the interests of both parties in the land circulation.

**4.2 Rural social security system is imperfect and unable to relieve the worry of farmers worry about land circulation** In rural areas of China, land has a special significance and status for farmers. Studies have shown that the land in rural areas undertake about 51.64% of the social security functions<sup>[2]</sup>, such as the basic needs (clothing, food, lodging and transportation) of farmers, weddings, funerals, education, pension, medical care and so on. However, due to the backward development of the rural economy and the long-term impact of the urban-rural dual system, China has not established a multi-level social security system in rural areas, including endowment insurance, medical insurance, social welfare, social special care, social relief and minimum living guarantee. Difficulties in access to education, medical care, and endowment in rural areas have always been an issue of concern of farmers and have become the most essential factor restricting land circulation of farmers.

**4.3 Farmers and the local government are constrained by the traditional concept, and it is difficult to implement the land circulation policy** According to ideas of the new institutional economics, factors influencing farmers' behavior not only include formal rules and regulations, but also include the informal regulations such as customs, convention and traditional ideas. Although China has basically established the socialist market economy with Chinese characteristics, due to influence of rural geography, culture and customs, farmers' ideas are still in a relatively conservative state. Farmers still have traditional small peasant awareness. For example, farmers have deep land complex, conservative thought, and extensive input; farmers have weak market economy awareness and they do not know how to get the maximum return through the national land circulation policy; the land circulation of farmers is in a blind and disorderly state, and it restricts the implementation efficiency of China's agricultural land circulation policy.

**4.4 System construction lags behind and the rural land circulation market is not mature** At present, the construction of China's rural land circulation system obviously lags behind the practical work, the land circulation market is not mature and can not meet the increasing land circulation demands of farmers. (i) Rural land property right system is not definite. Although different areas have specified the property rights of cultivated land and forest land, they have not yet established unified standards for rural homestead and housing, which show regional differences and institutional uncertainties, leading to difficult and ineffective protec-

tion of rights of farmers over these resources. (ii) Land management system is not reasonable. The rural land management system and urban land management system are not unified, and rural land management system is not well established, there is still no proper institutional arrangement in accordance with the actual situation of rural land use and circulation<sup>[3]</sup>. (iii) Rural land circulation market is not perfect. Only few economically developed pilot areas have established the land property right trading market, but most of the economically backward areas have not yet established a special and standardized land circulation market.

## 5 Government action in the rural land circulation

**5.1 Formulating relevant administrative regulations and improving the policy system of rural land circulation** In order to standardize the behavior of rural land circulation, government departments should formulate and improve the relevant administrative regulations as a guide and basis for rural land circulation. In the first place, government departments should carefully study the existing legal system on rural land issues, take *Constitution*, *Land Administration Law*, and *Rural Land Contracting Law* as the guiding principles and guidelines, combined with the current realities of rural land circulation, formulate specific and detailed administrative regulations on rural land circulation, to fill the current legal gap of rural land circulation. In the second place, local government should carry out grass-roots research, explore new problems and situations in the rural land circulation, and fully ask ideas of farmers. Based on scientific forecasts, local government should make detailed provisions about the scope of land circulation, form, rights and obligations of circulation parties, and methods for dispute settlement, to make the administrative execution more pertinent and operable.

**5.2 Improving rural social security system to relieve the worry of farmers about land circulation** At present, the most urgent and important task of rural land circulation is to increase the government investment. In other words, the public finance expenditure of government should be tilted to the rural social security system, to gradually narrow the gap between urban and rural areas and realize the equalization and high efficiency of urban and rural social security services. In particular, it is required to establish and improve the endowment insurance system covering all farmers as soon as possible, to promote and improve the new rural medical cooperation system, to solve the concerns of farmers about the endowment and medical care, continue to deepen the reform of edu-

cation system, strengthen the financial support for education of farmer children, make efforts to provide farmers with a comprehensive social security for endowment, medical care, children education and other aspects of the land circulation. For farmers who have realized land circulation, it is required to ensure their smooth and full employment and obtaining higher wage income in other fields. For farmers temporarily not finding jobs, it is recommended to establish the minimum standard of living security system in rural areas to ensure that the minimum living standards of farmers according to local economic development level and price standard.

**5.3 Vigorously promoting the system construction and actively cultivating rural land circulation market** Perfect system is the basis for protecting standardized and orderly rural land circulation basis. Firstly, it is required to make clear the rural land property rights system, formulate authoritative and unified property rights standards for the rural farmland, woodland, homestead, and housing, to eliminate the system differences and uncertainties in different regions, and protect the legitimate rights of farmers over resources they own. Secondly, it is recommended to establish scientific land management system, make proper institutional arrangement for land use and circulation in accordance with actual situations of rural land circulation, strengthen the supervision of land circulation, regulate the signature process and form of rural land circulation contract, provide necessary guidance and intervention in land use right transaction price and liability, and set up special benefit coordination and arbitration mechanism to provide convenient meditation channel for conflicts and disputes in land circulation. Thirdly, it is recommended to energetically cultivate and support rural land circulation market, expand the demonstration effect of some economically developed areas, constantly spread the advanced experience, establish standardized land property right exchange market in the whole country, regulate the market transaction behavior, and strike at illegal actions that infringe upon land rights of farmers.

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