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# Reform of Rural Land System from the Perspective of New Urbanization

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**Abstract** In view of artificially high urbanization rate of China and possible causes, survey and data analysis methods were used to discuss reform of household registration system, and path for promoting rural land system reform. Results show that it is required to eliminate bottlenecks of land system in the advance of new urbanization process. In line with land system bottlenecks of new urbanization, it is recommended to take following measures. (i) Promoting land right confirmation centered land system reform. (ii) Weakening rural land ownership and stressing land use right. (iii) Establishing urban and rural integrated land market and putting an end to low cost urbanization road. (iv) Realizing asset value of rural construction land and tackling the problem of insufficient construction land. (v) Reforming the land expropriation system and increasing the share of gain in land value to farmers. (vi) Implementing different land policies to promote coordinated development of regional social economy. (vii) Establishing land circulation access system to ensure unchanged land use purpose and high efficient use.

**Key words** New urbanization, Rural areas, Land system, Reform

## 1 Introduction

The *Report to the Seventeenth National Congress of the Communist Party of China* sets forth that "We should keep to the Chinese-style path of carrying out industrialization in a new way and advancing IT application, urbanization and agricultural modernization, and should promote integration of IT application and industrialization, interaction between industrialization and urbanization, and coordination between urbanization and agricultural modernization, thus promoting harmonized development of industrialization, IT application, urbanization and agricultural modernization". In an article, Premier Li Keqiang said that China's urbanization rate exceeds 50%, which is much lower than 80%, average level of developed countries<sup>[1]</sup>. However, due to scope of statistics, China's urbanization rate is artificially high, the actual urbanization rate is only 35% approximately calculated according to household population. According to international practice, people living in urban areas for a period longer than 6 months will be counted as city residents. However, in more than 50% urban residents, about 15% are migrant workers and their families. Although they have lived in urban areas for a period longer than 6 months, they have not changed to urban residents and have not fully enjoyed urban public services and social security. According to our survey, in these people, 50% live in urban temporary sheds and dormitories, 49% live in rented houses in suburbs, and 1% has their own houses.

Causes for these are various, and the fundamental one is some old systems followed in the planned economy. It likes a wall hindering urbanization process. There are two largest walls: household registration system and land system. Many places have launched reform of household registration system. For example, Tongling City of Anhui Province issued *Scheme for Implementing Urban and Rural Integrated Reform of Household Registration System in Tongling City*, marking that Tongling City is abolishing the division of agricultural population and non-agricultural population and the dual household registration existing for more than 50 years will be abolished gradually in Tongling City. The reform in Tongling City breaks the first wall, but the second wall, *i.e.* the land system still needs properly solving using suitable methods and approaches.

## 2 Promoting land right confirmation centered land system reform

Urbanization must take improving people's livelihood as ultimate purpose and take quality at the first place. Therefore, in the process of promoting reform of household registration system, it is still required to implement various preferential policies. In the process of land expropriation, consolidation and circulation, it is required to ensure stable improvement of farmers' living conditions, but also required to gradually increase input to agriculture and rural communities, to realize objective of new socialist countryside construction. Objectively, this needs promoting reform of rural land property right at the same time of reforming the household registration system. The purpose of reform is to make clear land property right, stress land real right, and let farmers fully enjoy land usufruct. At present, the urgent thing lies in registration, right confirmation and certificate issue of collectively owned agricultural land and construction land, accelerating survey and meas-

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urement of agricultural land and homestead, and making registration, right confirmation and certificate (hereinafter referred to as land right certificate) issue for contractual management right of agricultural land, and land usufruct of homestead and affiliated facilities.

### 3 Weakening rural land ownership and stressing land use right

The existing rural collective land ownership is similar to common property right in Property Law. It is joint ownership in common. At present, representatives (village cadres) of the village collective always exercise their control power with the excuse of land being rural collectively owned, then farmers' land contractual right becomes very weak. Therefore, it is required to change such situation, to minimize applicable scope of joint ownership in common.

After reform of the household registration system, mediation of land relationship can gradually realize socialization and legalization, avoid dominance of few village cadres. Even if there are land disputes, the parties may settle the problem through arbitration authorities or courts. After the reform, the ownership of existing land contractual management right is not changed and can be enjoyed for a long time, and it can be mortgaged and succeeded. It is recommended to restrict property right through specifying land use purposes, improve circulation mechanism through laws and policies, set imperative, conditional and voluntary circulation conditions, and specify criteria and methods of benefits. Besides, it is recommended to consolidate land and gradually realize centralized land management and centralized living of residents, to provide platform for basic public services and lay foundation for urbanization development.

### 4 Establishing urban and rural integrated land market and putting an end to low cost urbanization road

**4.1 Establishing rural homestead reserve system** Rural homestead reserve system is mainly used for managing rural homestead. In the framework of existing laws, rural homestead is mainly managed by village collectives, and land income is mainly used in new socialist countryside construction, resettling farmers and village construction through democratic decision of village collectives<sup>[2]</sup>. In actual operation, it is recommended to take administrative villages or rural communities as homestead reserve center, to take charge of taking back, consolidation, transference, renting, and allocation of collective homestead.

**4.2 Allowing urban construction land to obtain target of increase and decrease link** China is situated in the middle period of industrialization, the urbanization rate is just exceeding 50%. In other words, it is the period of high demand for construction land. It is impossible to solve the problem of insufficient land through exploring urban land, and also impossible to solve the problem through occupying farmland. Instead, the most effective approach is to consolidate homestead through rural construction land in the manner of increase and decrease link. However, the

increase and decrease link can not adopt existing model, because the existing increase and decrease link system apparently supports rural areas, but in fact it exploits rural resources and harms benefits of agriculture, farmers and rural areas. Therefore, it is required to reform existing increase and decrease link system, the homestead reserve center is responsible for centralized supply, to put an end to low-cost urbanization road, take the intensive development road, and ensure homestead grant fund to return to rural areas and use for new socialist countryside construction.

**4.3 Trying urban and rural interactive house purchase system** Urbanization is helpful for realizing urban and rural integration and interaction. Rural residents can freely purchase urban houses. Urban residents should be allowed to buy rural homestead. It is recommended to attract enterprises to invest in agriculture, develop agricultural industrialization, and boost employment of surplus rural labor.

### 5 Realizing asset value of rural construction land and tackling the problem of insufficient construction land

**5.1 Dividing buffer area of urban construction and farmland supplement** The buffer area is to divide urban construction scope and construction time sequence, farmland supplement scope and time sequence under the guidance of overall land use plan, and strictly specify quality of supplemented farmland. In the buffer area, occupation and supplement of farmland should reach balance, but the time may be not synchronous, it is able to specify time sequence through setting buffer period. Competent authorities should strictly monitor implementation of plans, those realizing balance of occupation and supplement in the buffer area in buffer period will be deemed as conforming to laws and regulations. The buffer period should be set according to the time of conceding rural residential areas to farmland lagging behind expansion of urban construction land. At the start, it may be longer, but it should be shortened year by year<sup>[3]</sup>.

**5.2 Innovating on land allocation policy to support new urbanization development** New urbanization should take the road of integrating industrialization and urbanization, and also include beautiful countryside construction into the urban construction system. Therefore, for agriculture-related construction land of agricultural leading enterprises, it is recommended to provide preferential land allocation and support policies. Specifically, government may encourage conditional enterprises to issue policies related to agricultural operation. For example, agricultural leading enterprises are allowed to make substitution of occupied land through homestead consolidation, to realize "scale control and internal adjustment". The scale control means that the total scale should not be increased but can be decreased in the process of substitution; the internal adjustment means that rural areas can carry out new community and industrial park construction in the framework of overall land plan under the premise of sticking to the principle of not changing ownership of rural construction land. Farmland occupied by agricultural leading enterprises for building factories must

be supplemented through homestead consolidation in the buffer area or obtaining the construction land through market. To explore path suitable for reform of China's rural land use system, the three rural issues committee survey team of Central Committee of the Democratic Revolutionary Party launched special survey about new rural communities in Shandong Province in the first ten days of July, 2013. Zhucheng City of Shandong Province took land consolidation as platform, divided 1249 villages into 208 rural communities, to simultaneously drive industrial development.

## 6 Reforming the land expropriation system and increasing the share of gain in land value to farmers

### 6.1 Reforming land compensation and resettlement criteria

(i) Fixing price according to quality of agricultural land and determining suitable land compensation criteria. (ii) Determining price of expropriated land according to planned land use purpose and specifying return criterion of land appreciation. (iii) Determining elements of compensation and resettlement according to rules of market economy<sup>[4]</sup>. (iv) Improving right compensation system. China should comprehensively consider the above four aspects when determining rural land expropriation and compensation criteria.

**6.2 Reforming the allocation scheme** (i) Adjusting allocation proportion to safeguard farmers' benefits. (ii) Trying suitable decomposition system for land property right subjects to protect farmers' rights and increase their benefits. Land use right can be decomposed into two parts: one is direct use right available through transference, and the other is stock right, converted through farmland and owned by original contractual farmer household. (iii) Setting up land expropriation fund to eliminate the drawback of the same quality but different resettlement compensation. Specifically, a part of land grant premium can be used to set up land expropriation compensation fund, then it is able to use this fund to support key national construction land project through transfer payment, so as to realize the principle of national treatment in the process of land expropriation.

**6.3 Reforming resettlement modes** Resettlement modes should be varied in accordance with actual local situations. It is recommended to take following resettlement modes. (i) Insurance resettlement. Financial institutions should set up land expropriation insurance, and government should formulate macro policy, and allocate proper proportion of compensation and resettlement fees to provide insurance for land-expropriated farmers. (ii) Undertaking resettlement. It is recommended to provide undertaking resettlement for land expropriated farmers in the manner of land replacement through unified planning<sup>[5]</sup>. (iii) Employment resettlement. This is mainly used for enterprises to enlarge reproduction and absorb land expropriated farmers to their workers. (iv) Money resettlement. For farmers with market economy ideas and skills, government should allocate resettlement and compensation fund for them, to encourage them to develop individual and private economy.

## 7 Implementing different land policies to promote co-ordinated development of regional social economy

**7.1 Implementing different types of land supply in urban and rural construction, to drive in-depth development of urban areas and promote centralized living of rural areas** At present, in the process of new socialist countryside construction, rural residential areas move to other places. Even though vacated homestead is reclaimed to farmland, it will still be deemed as new construction land. As a result, there is no construction land target in many areas, and the policy of "stimulating residents to centralize in central villages and towns" becomes just a slogan. Therefore, it is recommended to further emancipate minds, seek truth from facts, and formulate policies in accordance with rural practice, and build an emperor's sword for new socialist countryside construction. In other words, under the premise of guaranteeing that the quality of reclaimed farmland is not lower than the occupied farmland, and the vacated homestead for new socialist countryside construction will not be incorporated into the new construction land target. In addition, it is recommended to bring into full play functions of government land reserve authorities, increase land expropriation cost, and return much of land grant premium to rural areas for new socialist countryside construction, while the land grant premium obtained through exploring the land stock and in-depth development will be mainly used for development of urban areas.

**7.2 Formulating different land policies for development zones and farmer undertaking areas, to really carry out the policy of "promoting agriculture through industries"** Building farmer undertaking areas is favorable for eliminating the problems of "sideline agriculture, aging of farmers, and hollow rural areas", helpful for boosting rural industrial structure and developing large-scale and modern agriculture, and favorable for increasing investment, driving domestic demands, invigorating county-wide economy, and promoting urban-rural integrated development. However, China's farmer undertaking areas adopt the unified land supply policies with development zones and industrial parks. In consequence, it is difficult for farmers to start an undertaking, and new socialist countryside construction plan fails to be implemented due to failure to connect with overall land use plan. Many migrant farmers can not return to their hometown because their farmland has been transferred, and there is no undertaking or employment platform for them in their hometown. Therefore, it is required to formulate proper policies at the national level, to take farmer undertaking areas as rural collective construction land, and allow them to start undertaking in these areas. Besides, it is required to strictly check status of farmer undertaking areas, strictly examine identity of farmers residing the undertaking areas, and strictly implement the policy of converting the supplemented farmland as per quality, and strictly ensure the construction of farmer undertaking areas reaches the objectives of farmland increase, increase in land scale of farmer undertaking areas, decrease of rural homestead and other construction land, and improvement of farmland quality.

**7.3 Encouraging developing urban areas and industries using Gobi deserts in accordance with actual situations of western areas, to realize the objectives of increase in construction land but decrease in farmland area** Gobi deserts are mainly distributed in Xinjiang, Qinghai, Gansu, Inner Mongolia, and northeast of Tibet. According to preliminary statistics, Gobi deserts account for 30% of the total land area of Xinjiang Uygur Autonomous Region; Gobi deserts account for 29% of total land area of Gansu Province; in Qinghai, Inner Mongolia, and Tibet, the proportion is 13 – 15%. Gobi deserts are buffer areas of oasis and deserts. In many areas of Gobi deserts, underground water is plentiful and thus it is suitable for developing as construction land. Using Gobi deserts to develop urban areas and industries does not occupy farmland and other agricultural land. Therefore, it guarantees priority development of agriculture and protection of ecological environment. Also, developing satellite towns in accordance with characteristics of northwestern areas avoids developing urban areas like making big cakes. It not only takes full advantages of land resources, increases land use efficiency, and prevents expansion of deserts and shrinkage of oasis through building ecological industrial parks or towns in such buffer areas. Therefore, it is recommended to formulate preferential policies to encourage developing towns and industries using Gobi deserts. For example, these areas can provide preferential policies in taxation for enterprises in investing in development of Gobi deserts without occupying the annual target of new construction land.

## 8 Establishing land circulation access system to ensure unchanged land use purpose and high efficient use

In the process of urbanization, it is required to keep in step with industrialization, informationization, urbanization, and agricultural modernization. Agricultural modernization is the last barrier. Without agricultural modernization, there will be no urbanization in real sense. Agricultural modernization is marked by large-scale, mechanization, scientific, intensive, industrialized, commercialized, and socialized characteristics. Evidently, in current household contract responsibility system, the precondition for de-

veloping modern agriculture is circulation and concentration of land<sup>[6]</sup>. Land contractual management right enjoyed by rural households can be circulated, participating in shares or returning to their communities. They can also go to cities to work or be employed by land inflow people to become agricultural workers. This not only centralizes separate land, lays foundation for development of modern agriculture, but also liberates much labor to support urbanization and industrialization development. Nevertheless, many local areas still take administrative means to force farmers to circulate their land. Some enterprises hoard land in the name of land circulation. Some enterprises even do not have the qualification of operating agriculture. As a result, due to improper management, land circulated becomes idle or waste land. Some enterprises just abandon such land, and those enterprises have management capacity basically adopt non-grain operating model. These problems will ultimately be detrimental to agriculture, farmers and rural areas. Therefore, it is urgent to establish land circulation access system.

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