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CHINA’S NEW BLUEPRINT FOR RURAL REFORM AND DEVELOPMENT

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China’s New Blueprint for Rural Reform and Development

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Executive Summary

1. A new rural reform and development programme was passed at the Plenary Session of the Chinese Communist Party’s Central Committee in October, 2008. This represents a major step taken by the Party toward a more balanced development of the country by promoting economic and social development in the countryside.

2. The Programme falls short of allowing the “privatisation” of farmland which had been keenly anticipated by the international media. While reaffirming the existing property rights system in the countryside, it however offers new room for the liberalisation of land use rights.

3. Instead of exclusively focusing on the land rights issue, the Programme points out a number of policies that may lead to a comprehensive integration of China’s rural and urban economies and societies.

4. It extends the household’s right to use farmland which is currently owned by the rural community to an indefinite period (permanent use) and furthermore allows the transfer of that right to households within or beyond the rural community via a valid procedure.

5. The reform of the farmland management regime had been necessitated by two existing problems under the Household Responsibility System (HRS). Small-scale production under the system had limited increases in land productivity while the system’s short-term aspect has had negative impact on farmland investment and maintenance.

6. In recent years a trend of several households integrating their uses of farmland has emerged. This is mainly caused by rural-urban migration, which according to official statistics involved over one quarter of the rural labour force nation-wide leaving the countryside for the cities. As more farmers left their villages to take up jobs in the cities, the transfer of farmland use has become commonly accepted practices in economically more advanced areas.

7. Institutional barriers have to be broken down so that rural migrants can be gradually integrated into urban communities. Rural economy and society should also be supported to achieve more equitable rural-urban development.

8. The Party’s new Programme emphasizes rural-urban integration and promises policy adjustments to improve infrastructure, finance, technology and other aspects of the rural economy and society. It also aims to remove urban discrimination against rural migrant workers in the areas of employment, welfare and social security.

9. These goals are unlikely to be fully achieved, due to the complexities of China’s hukou (household registration) system. Local governments are also likely to prove ineffective in functional adjustments. Urban residents may also pose strong resistance as they have benefited from the official rural-urban division.

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2 The author would like to express his gratitude to Dr. Zhengxu Wang for his constructive comments as well as Ms. Xiaoyan Du for her help in gathering information.
10. From the rural perspective, if rural development becomes heavily dependent on government investment or urban capital, rural residents may be excluded from participating in the development. Rural economy may also become increasingly dependent on external stimulation rather than internal dynamics.

11. An issue that is not addressed by the new blueprint is the empowerment of farmers to negotiate with local authorities and urban land users or investors. Farmers should have the ability to check against the strong motivation of local authorities to allocate farmland to non-farm usage without paying proper compensation to farmers.

12. In the context of China’s political reform, more room should be allowed for the development of independent farmer associations and civil society organisations. Such organisations would provide a sound base on which hundreds of millions rural migrants who want to could hand over their land use rights to those who are interested in scaling up farm production. This therefore allows for the possibility of a new future for rural China.
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High Time for a New Programme for the Countryside

1.1 The Plenary Session of the Central Committee of the Communist Party of China was held in October 2008 to deliberate on new policies for China’s rural development. This event received unprecedented attention from the public, politicians, scholars and medias, not only because rural reform pioneered of China’s reform and opening-up policy, but also because rural development has been approaching a crossroad in terms of direction and dynamics.

1.2 China’s rural economy is facing many pressing challenges after 30 years of reform and development. The most outstanding one is the slowdown in rural income growth and the decline of agricultural production benefits, which have resulted in an increasing income gap between rural and urban residents.

1.3 Furthermore, although more than one-third of the rural labour force is involved in rural-urban migration or non-farm employment, these labourers cannot be integrated into urban communities due to the existing rural-urban division which prevents hundreds of millions of rural migrant workers and their family members from having equal rights as urban residents. Both issues are inter-related.

1.4 In relation with agricultural development and rural-urban migration, the current farmland management regime is also a major issue impeding rural development. Since rural reforms and the household responsibility system began in the early 1980s, farmland has been distributed equally to all rural residents for household-based utilisation. There are two limitations within this system: limited scale and short-term perspective. To overcome these dilemmas, many have called for the reform of farmland use in two different directions -- privatisation of farmland on the one hand and development of the collective economy on the other.

1.5 The Plenum provided an important platform for senior members of the Party to review its 30-year rural reform and development experience, and to decide on the new strategy and policies, particularly farmland reform. For this reason, many politicians, scholars and media organisations had tried to draw the Plenum’s attention to the need for radical changes in the use and allocation of farmland.

1.6 Nevertheless, no radical change was made at this Plenum. Instead, a more comprehensive and balanced ‘blueprint’ was unveiled, made up mainly by the liberalisation of land use rights and the acceleration of rural-urban integration.

China’s Rural Economy: 30 Years after Reform

2.1 China’s economic reform started in the rural areas which saw the replacement of the People’s Commune System with the Household Responsibility System (HRS). Without changing the nature of collective ownership, farmland was distributed equally to all village households who became basic units of agricultural production and decision making. The ‘two tier’ structure in which collectively-owned land was utilised by individual households had released rural surplus labour to non-farm employment and rural-urban migration.
2.2 The ‘two-tier’ rural structure has however been limited by its characteristics of small-scale production and short-term duration. The former is related to the phenomenon of ‘needle land’, whereby each block of farmland is divided into so many small pieces to ensure equal distribution to village members, impeding improvements in land productivity. The short-term nature of the system refers to the lack of incentive to consider the long-term perspective of investments and maintenance of the collective land, because of the pressure to adjust farmland utilisation amongst village members to reflect changes in their demographic profile.

2.3 To address the duration issue, the central government had extended the length of time for household use of collective land to 15 and 30 years respectively nationwide. Such a policy, however, had not been able to stop the frequent transfers of the land use right within villages. A recent survey conducted by the China Reform and Development Academy suggested for instance that 55% of sampled households in China claimed that they have had experience in adjusting their farmland use since 1997. This suggests that equal access to collective land resources is still an important factor influencing rural communities. On how to deal with the issue of collective land needed by an increased population, 47% of respondents expressed ignorance while over half of them offered different opinions or approaches.

2.4 To cope with rural challenges, many people believe that farmland reform is the key. Further to how to reform the farmland management system there has however been no agreement amongst politicians and scholars. The right wing, on the one hand, believes that privatisation of farmland provides the best solution to secure the rights of farmers and protect them from various forms of exploitation and abuse of farmland. The left wing on the other hand calls for development of the collective economy to ensure justice, welfare and social security for rural residents.

2.5 The debates reached their peak just before the Plenum began when President Hu Jingtao made a high-profile visit to Xiao Guang Village located in Anhui province, the first village in China which re-allocated collective land to all its members for household production 30 years ago. His visit and speech supporting local experimentations with farmland reform raised expectations that the Chinese government would take radical measures to implement rural land reform.

2.6 Contrary to those high expectations however, no radical change was announced by this Plenum, while proposals from neither the right wing nor left wing proposal were accepted. Nonetheless, the Plenum released a “Resolution on Several Major Issues” to elaborate on its more comprehensive and balanced blueprint for rural reform and development in the next decade or so.

2.7 The modest approach taken by the Plenum seems to have gained the support of the public. Just one week after the Plenum, the official website (http://cpc.people.com.cn) run by the CPC, published the results of an online survey of public opinion on the farmland reform. Of all the 591,421 respondents, only 29.7% supported a radical form of reform while 70.1% were against it. The main reason for the majority’s rejection was that they were worried about the possibility of farmland privatisation.

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Liberalisation of Land Use Rights

3.1 The liberalisation of farmland use right seemed to have been discussed and debated intensively during the Plenum. Rather than radically changing the current farmland system, the Plenum Resolution emphasised a continuity of the nature of collective land and the household responsibility system. Nonetheless, it released some new policy initiatives including the extension of the household right to use collective land from 30 years to an indefinite period and allowing the transfer of farmland use right within or beyond rural communities via a valid procedure.

3.2 There is another trend toward a centralised mode of farmland use. According to the Second National Agricultural Census, rural labourers in non-farm employment had risen to 29% by 2006 from 24% in 1996. There were 131.81 million workers involved in rural-urban migration, accounting for 27.5% of the national total rural labour force. Of these migrant workers, over 80% go beyond the county and about half cross provincial boundaries. Compared with census from 10 years ago, there has furthermore been an increase in rural hukou holders living permanently in urban areas, totalling 128 million and accounted for 15.6% of the registered rural population.

3.3 The pattern of rural-urban migration is however, greatly varied. Taking the migration rate at the regional level as an example, the eastern, central and western regions registered 21.8%, 37.7% and 29.0% respectively in 2006. At the village level, the difference is even bigger. It is not rare to see many “empty” villages because many of the households have settled in urban towns, leaving just a few remaining in villages. It is rather common nevertheless to see migrations of young and middle-aged male labourers, leaving agricultural production to the aged, females and children.

3.4 Large-scale rural-urban migration has left a large amount of rural land to those remaining households, enabling them to enlarge the scale of agricultural production. Taking Anhui province as an example, about 10 million rural labourers are involved in non-farm work on either a long-term or seasonal basis, while nearly 10% of rural land use has been transferred; in some townships, the rate of farmland use transfer is as high as 35% (Anhui Daily 14 October 2008).

3.5 In relation with rural-urban migration, there is a general trend of accelerating farmland use transfers amongst rural households. In this regard, there is nothing new in the CPC dossier, which confirmed the trend and validity of the practice of farmland transfer in the past. In many cases, transfers of farmland use rights amongst village members (mainly kinship, extended family members or close neighbours) is free because of the low profits in agricultural production. In some cases however transfers could provide an additional income for those who have settled down in urban areas and rented the farmland out.

3.6 According to a survey conducted by the China Reform and Development Academy, a significant proportion (43%) of sampled households claimed involvement in farmland transfers. Nearly one quarter (23%) of these transfers cost nothing. The national average rental prices of farmland, according to the same survey, was 2058 yuan per mu, (a traditional unit of area), which was equivalent to half of the rural net income in 2007.

3.7 Farmland use rights transfer is not necessarily limited to villagers and agricultural land. For land used for non-agricultural purposes, there is likely a process of negotiations among local governments, external investors and village organisations as part of local industrialisation and urbanisation. Transfers from rural collectives to private industrial users had reportedly risen to more than 50% in the Pearl River
Delta region, and 20% in other regions. Nevertheless, without a legal framework and proper monitoring and regulation procedures, such transfers vary greatly from location to location, case by case. This is one of the major causes for the increase in local protests and conflicts between farmers and local governments or enterprises in recent years.

3.8 The necessity of farmland use rights transfer is particularly related to the fact that there is large mount of abandoned farmland existing despite of shortage of farmland in China. According to a survey by the China Reform and Development Academy, about one in five (18.9%) respondents acknowledged the existence of abandoned farmland, which had been left in that state because of poor profitability of agricultural production (41.4%), inadequate infrastructure (e.g. remote and distance of farmland in mountain areas, 39.5%) and shortage of labour (34%).

3.9 In short, after three decades of rural reform and the implementation of the household responsibility system, the equal distribution and household’s use of collective land no longer suit the reality of rural society, which is seeing large-scale migration of its population to urban areas.

3.10 Without a fundamental change in the “two-tier” structure of collective land, it is hoped that individual households will be able to transfer their farmland use rights to others, leading to economies of scale with more efficient and productive use of land by a few specialised households. Instead of radically changing the current land use system, the CPC Plenum signalled clearly that farmland use rights transfer were encouraged in various ways provided there was no change in the functional use from agricultural to non-farm activities. The objective was to ensure the national supply of grain.

Toward Rural-urban Integration

4.1 It has become clear that rural development in China can neither be separated from the process of urbanisation, nor, in particular, the removal of institutional barriers and discrimination against rural people. The CPC Conference made some progress in this regard by pledging to balance urban and rural development and accelerate rural-urban integration.

4.2 The detailed promises from the blueprint include comprehensive planning for industrial development, infrastructure construction, public service as well as employment, with the needs of both rural and urban areas taken into account. In addition, the government will endeavour to optimise industrial structure in rural areas, foster enterprises owned by villages and townships and channel capital and talent to the countryside.

4.3 The government would also develop the labour market to help farmers look for work in cities and migrants start their careers in villages. It has vowed to better safeguard the rights of migrant workers, by ensuring their wages and benefits in terms of health and housing and their children’s education are the same as those enjoyed by urban citizens.

4.4 The above proposals would no doubt have positive impacts on rural development and the migration of population and labour from rural to urban areas. A lesson that could be learnt from the last decade is that the hukou system, which segregates the Chinese into rural and urban citizenships has not only been responsible for increasing the income inequality between rural and urban residents, but has also impeded rural development as hundreds of millions of rural migrant workers have
not been allowed to access the urban welfare and social security system no matter how long they have been living in urban areas.

4.5 Balancing development between rural and urban areas is becoming increasingly important for urban development for many reasons. Firstly, rural China presents a potential huge consumer market in the next two decades, which would provide an important momentum to sustain economic growth in China. Secondly, after one decade of high-rate development in urban China, large amounts of Chinese capital have begun to seek new investment opportunities in agricultural and rural areas. Finally, as constraints on urban environment and development increase and improvements of the rural-urban transport network are made, urban companies are seeking to relocate to suburban or rural areas to reduce operational costs. Rural-urban integration therefore not only represents a good opportunity to promote rural-urban migration, it also points to an important conduit for the expansion of urban Chinese capital into rural areas.

4.6 Given the long-existing rural-urban separation, it will not be easy to achieve a balance between rural and urban development and integrate the two. Many constraints need to be taken into account. The first is the *hukou* system which still provides the government an effective means for local development planning, population control and community management.

4.7 Notwithstanding the symbolism of the *hukou* system, represented by a piece of identification paper, municipal governments are currently largely responsible for providing welfare and social security to urban residents. This involves organising financial responsibilities across geographic and administrative boundaries. Finally, strong resistance from urban *hukou* holders who have gotten used to, and have gained benefits from the current social and labour market segmentation cannot be underestimated.

4.8 It may not be a good thing if rural development relies heavily on government investment or urban assistance. A good example is the ongoing “new countryside movement.” Based on the author’s own observations, local authorities in many places have simply copied urban plans for village construction. While these appear attractive to outside visitors, they pose inconveniences for rural residents.

4.9 For instance, in many “model villages” which have been subsidised by governments, most of the villagers still live in their old houses, leaving the “new homes” empty or as places for their children to study. Furthermore, in each model village, a big and beautiful building houses the school although there are only a few students because many parents have migrated to urban areas with their children for educational purposes. Such examples indicate a trend whereby more and more rural communities have become dependent on the government for investment in rural infrastructure, or government subsidies for agricultural production. Many local officers and village leaders are worried about the consequences of a decline in production and the lack of incentives for innovation.

4.10 Rural-urban integration raises questions about the roles and voices of rural people in governments’ plans and decision-making process. Given the lack of public participation even among urban residents, the absence of rural voices poses a serious constraint on the Chinese government’s aim to achieve a balance between urban and rural residents’ interests.

4.11 Under the current land management framework, local rural residents are widely known to gain only marginally from the land, in contrast to the huge profits reaped by local governments and urban property developers. Frequent reports of social protests by landless farmers have alerted the Chinese government to the
repercussions of inadequate compensation to farmers in the process of developing farmland for non-agricultural purposes.

Call for Empowerment of Farmers

5.1 Proper farmland use rights transfer and rural-urban integration are not likely to be achieved unless farmer’s rights are respected and fully protected. In this regard, the Party has been reminding all government officials the importance of respecting the farmer’s will in farmland transfers and other important issues related to their interests. The Party has also outlined some areas for policy development including increasing the number of farmers’ representatives in local people’s congresses in the near future.

5.2 While many commentators view the Plenum blueprint as a signal to enhance the right of farmers in decisions related to farmland transfer, a more important issue is how farmers can be empowered to negotiate with local authorities and urban users and investors.

5.3 Under the current economic and political structure, individual farmers are inevitably powerless to protect their own interests unless they are allowed to re-organise into new production organisations and interest groups. Neither independent farmer associations nor non-government organisations however are mentioned in the CPC document. It seems that the Chinese government is not yet prepared to allow more space for the development of farmers’ organisations or other civil society organisations.

5.4 With respect to empowering Chinese farmers, many experts believe that more attention could be paid to the “Taiwan experience.” In contrast to the “land revolution” and collectivisation in mainland China, the Kuomintang (KMT, or the Nationalist) government organised a land reform in Taiwan between 1947 and 1962 to redistribute farmland to landless households. Equally important was its establishment and development of farmer associations which provided market, credit and technology services to all their members. As the mainland’s relationship with Taiwan improves, it is hoped that more could be learned from Taiwanese farmers and their experience of rural organisations.

5.5 In conclusion, it is no doubt that farmland transfer and rural-urban integration are critical not only to China’s rural development but also to its sustainable economic growth and social harmony over the next few decades. In this respect, the Plenum has tried to revive a new momentum for rural development in China.

5.6 Whilst the new blueprint described in the Plenum Resolution document appropriately underscored the real limitations facing rural society, it seems rather weak in terms of addressing how the rights and interests of vulnerable farmers could be properly protected within the imbalanced economic, social and political systems. In relation to its political reform, it is perhaps crucial for rural development that farmers are granted more space to form associations and civil society organisations.

5.7 Such organisations would provide a sound base on which hundreds of millions rural migrants, who want to, could hand over their land use rights to those who are interested in scaling up farm production. This therefore allows for the possibility of a new future for rural China.