Rebalancing the Chinese Economy through Rural Development: How Much Does Land Consolidation Help?

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Abstract. This paper examines the role of land consolidation in contributing to the Chinese government’s objective of sustainable and balanced growth of the economy. Our review shows the current approach by the government suffers from major deficiencies: 1) historical legacy in land law amendment; 2) the reliance on rural encroachment for financing local fiscal income; 3) deficiencies of land consolidation model.

Introduction

Widening disparities between rural and urban areas, abetted by pro-urban policies, have produced rural-urban migration, posing obstacles to balanced growth (World Bank, 2009). These development are occurring at a time when China’s need to embrace a new strategy of sustainable economic growth has been recognized (Garnaut, Golley, & Song, 2010; Rozelle, Huang, & Zhang, 2002).

Under such circumstance, land consolidation has been identified by the Chinese government as a specific strategy that can cater to rural industrialization while freeing up land for agriculture, again with an eye on productivity. At the same time, it can be viewed as a complementary to policy affecting urbanization.

This paper examines the role of land consolidation in contributing to the Chinese government’s objective of sustainable and balanced growth of the economy. It has been argued that land consolidation represents an effective rural development strategy to achieve these objectives in China as well as the other countries worldwide (Long, Li, Liu, Woods, & Zou, 2012; Pašakarnis & Maliene, 2010; Woods, 2005). However, we argue that this optimism may be misplaced.

The Current Land Use Situation

Although China ranked as No.4 largest in terms of total land area, the land resource per capital is only 7.012 square km with a large population base, drops to 154th position worldwide (Central Intelligence agency, 2013). Meanwhile, fragmentation of arable land has resulted in low productivity, land loss and inefficient irrigation systems in both eastern and western region, making food security a much more serious topic to the central and local government. With rapid population growth, it is more and more obvious that the potential of land to sustain economic growth is limited.

The rural settlement land is one of the most important types for land use given that approximately 200 million rural households living in the countryside accounting for over half of all Chinese households. The pattern of land use is therefore closely associated with the large-scale rural migration and grain supply (Wang, Wang, Su, & Tao, 2012). Most rural settlements are small and scattered haphazardly. Large rural migrant flows have resulted in decreasing rural population but increasing land use as rural settlements as new, better residential units are constructed without old ones being demolished. Thus, rural settlement land area increased by 100,000 ha with approximately 129 million people left rural area between the period of 1996 and 2008 (Huang, Li, Chen, & Li, 2011). Meanwhile, construction land per capita in rural areas is 4.88 times more than that in cities (Long et.al, 2012).
Land Reform and Its Impact on Land Use

Since the establishment of China in 1949, a number of policies to regulate rural land-use have been introduced by central government. Being formulated to achieve specific socio-economic goal, the strategies have switched from the one centralized on arable land consolidation to the one that of optimizing land use of rural settlements.

The term “land consolidation” did not appear until the introduction of the Households Responsibility System (hereafter HRS) in the early 1980s. This system allowed land management to be entrusted to individual farming households, providing them with real incentives to increase production. The decollectivation of land use was a breakthrough for rural land reform, increasing agricultural output and markedly reducing income inequality. However, under HRS, land tenure of a large parcel of land was granted to multiple households for 15 years, with each household required to delineate the boundaries of its own plot of land.

The enforcement of “Land Administration Law” in 1998 made land fragmentation ever worse. Targeted at an equitable land distribution, the new land law extended the land tenure from 15 to 30 years.

In the late 1990s, a 10-year land consolidation plan (2000 to 2010) was launched to address the problems of farming land fragmentation through land reclamation. To facilitate the implementation of this scheme, the “Notice on Further Strengthening the Management of Land Development and Consolidation” was issued by the MLRC that outlined procedures for systematic land development and consolidation (Zhao, 2012).

The land reclamation allowed sufficient land supply for rural industrialization, at same time, played a significant role on preventing arable land erosion, and facilitating infrastructure construction, in order to improve the living environment of rural China. However, those consolidation schemes failed to bring urban migrants back home with the income difference generated from agriculture and service sector still in place.

Realizing the need for further land reform, the Ministry of Land and Resources proposed “Construction Land Proportion Scheme” in 2005, which allowed rural households offering land for consolidation to be compensated by given use rights of urban residential land. The objective of such act was to motivate urban migrants to release their abandoned houses for consolidation to address the prevalent phenomenon of “Hollow Villages”.

Urbanization Policies and Land Consolidation

Any discussion on rural land issue cannot be complete without the reference to urban land development. This is because rural land consolidation and urban land development are complementary activities—the more urban land is needed for development, the greater the need for rural land consolidation. Additional urban land comes mainly from conversion of agricultural land to urban uses and development on this land also draws migrants from rural areas. Urban land development has been encouraged by the central government and enthusiastically implemented by local authorities that see opportunities for income generation and political promotion.

Given this reality, there is a potential danger of the land consolidated by being used by unscrupulous officials as a cover for land expropriation to benefit themselves and related vested interests. Expropriation is made easy by the fact that farmers and rural residents have no voice in decisions making process on land consolidation (see discussion earlier). This has indeed occurred, with village protests making it occasionally to the media. For example, the notorious Wukan protest was triggered in September 2011 after officials sold land to real estate developers for profit without properly compensating the villagers (Chen, 2012) By depriving rural residents of the only means of livelihood they had, land expropriation has also forced some of its victims to leave their villages to seek work in cities. Thus, inappropriate land consolidation not only fails to strengthen land-use efficiency but also creates social problems for urban authorities in terms of the need to accommodate these reluctant migrants. For the migrants, the challenges are to fit into a life style for which they are ill-prepared, and to deal with the problem of families that may have to be left
behind. According to the 6th Population Census of China in 2010, there are 61 million left-behind children living separately from their parents, taking up 37.7% of all the rural children who are under 18 years old and 21.9% of children nationwide. The number of left-behind children increased by 2.42 million in 5 years compared with the data from the census in 2005.

From the perspective of state-sponsored urbanization, it is doubtful if the implementation of land consolidation policy is able to fulfill its target of improving land use efficiency and supporting rural development because of its de facto role to support urban development. After all, the primacy of urban development has not been diminished with current framework of economic policy.

Assessing Land Consolidation Models

The rural spatial master plan characterized by “centralization” encourages the aggregation of the decentralized settlement, industrial activities and infrastructure to avoid waste and abandon of large amount of arable land.

However, the criticism of these models remains as they are too general and subject to the lack of specificity, which requires local governments to make ad hoc adjustments to reflect local socio-economic conditions (Zhao, 2012). Take for example, spatial-territorial reorganization to consolidate hollow-villages offers some potential for the revitalization of local industry and boosts agricultural land (Long, et al., 2012). However, that whether in poor areas funds can be found to demolish the vacant rural houses without taking out loans is unclear.

Furthermore, land consolidation was initially formulated more as an administrative tool without enough involvement of the farmers who are key stakeholders and the beneficiaries/victims of such consolidation.

Conclusion

China’s growth since 1978, after the early years, has been built on industrial development in a model of unbalanced growth. This has left the rural areas trailing urban areas in development. Rural residents earn less than urban residents, have inferior physical infrastructure, and suffer poor basic amenities. These disparities have led to extensive rural-urban migration. This migration, by leaving farmland uncultivated and residences unoccupied, has exacerbated inefficiencies in rural land use.

These inefficiencies have multiple origins. First, the rapid land loss to urban construction and industrial development cannot be compensated by land development in the Western interior because of the latter’s inferior quality. Second, ownership of multiple residences in villages and farms has been common in rural communities, but there has been resistance to giving up unused residences even with compensation. Third, the historical haphazard location of village residences has led to considerable wastage.

In a country with 22 percent of the world’s population living on 10 percent of the world’s arable land, reducing inefficiencies in land use is particularly important. China’s food production from agriculture has not kept up even with the country’s already low population growth.

The Chinese government correctly perceives the need to redress this challenge, and sees land consolidation as the appropriate approach not only to rationalize land use but also as an important component of rural development. This approach, together with a number of consolidation models, has been endorsed by many scholars.

While we agree that reducing inefficiency in land use is an important policy objective in its own right, our review shows the current approach by the government suffers from major deficiencies. As a final footnote, even if the government efforts are successful, it would be too much to expect that land consolidation can contribute much to narrowing the rural urban gap. Factors making for migration, even with the hukou system that discriminates against rural residents, are too compelling for land consolidation to make a difference.
References


