

Dealing with the ownership of land, especially rural land, has been a vexed question in China ever since Deng Xiaoping's reforms began thirty-five years ago. In the countryside China still retains in name the collective system of land ownership first introduced in the 1950s, although in the reform era land-use rights have often been contracted out to individual farming households. In recent years the unjust requisitioning of collectively-owned rural land by local governments so that they can develop the land more profitably has become a major bone of contention, and sometimes the cause of local unrest. Some people expected the Third Plenum to introduce some form of land privatisation as a means of dealing with both the requisition issue and the issue of how to achieve economies of scale in the countryside as the rural population moves gradually into urbanised areas. Professor Jonathan Unger explains why, in his view, the Plenum's failure to privatise rural land was in fact a positive decision.

The Third Plenum and Rural Property Rights: Decisions in the Right Direction

Jonathan Unger

In the lead up to the Third Plenum, rumours swirled in China and among China specialists abroad that China's rural landholdings were going to be privatised into the hands of individual farmers. It was even claimed that the Prime Minister, Li Keqiang, had approvingly hinted at this at a forum a month or so before the Plenum. Chinese economists who had been trained in the West had long advocated this, using the mantra 'farmers need secure property rights' to argue that farmland should be converted into farmers' private property.

In the event, the Plenum announced the opposite, declaring 'We will maintain the collective ownership of land' (Plenum Decision, Article 20) and 'We will safeguard the rights and interests of farmers as members of collective economic organizations' (Article 21).¹ These firm announcements came as a surprise to many.

I presume that some economists feel the Plenum's decision was erroneous. Contrarily, I am convinced the Chinese leadership made the right decision, and I feel relieved by it.

Let me explain the context. During the period of Mao's rule, the land was farmed collectively. At that time, 15–50 neighbouring families were members of a so-

1 The official English-language translation of the Third Plenum's Decision can be found at http://www.china.org.cn/china/third_plenary_session/2014-01/16/content_31212602.htm. The original Chinese-language version is at http://news.xinhuanet.com/politics/2013-11/15/c_118164235.htm

called production team. They owned a stretch of fields as a group, worked the land together, and divided up the harvest yields in kind and cash each year based on how much labour each family had contributed. Subsequently, during the early 1980s, in the early years of Deng Xiaoping's rule, the land was divided up among families to farm independently. This was normally done on a per capita basis. That is, a family that had six members received six shares of land, a family with three members three shares of land.² But they did not receive legal ownership of this land. The former production teams, which today are called villager small groups, have continued to own the agricultural land collectively, while their member families hold a right to cultivate the collective land apportioned to them on thirty-year contracts without any rental charge. Surveys in China have shown that most farmers have preferred this system rather than a system of private land ownership. For example, a 2004 survey by Chinese researchers of 306 farm families spread across forty rural counties in Anhui province found that 71 per cent of the respondents favoured retaining what the Chinese author referred to as 'land cooperatives', while only 7 per cent opposed this.³

One salient reason is that the decollectivisation of agriculture and the return to family farming created a dilemma for many farming households. As time passed they found they faced a shortage of land, as children were born and as their family grew. They and fellow 'villager small group' members turned to an unusual solution. I headed a research project that carried out a questionnaire survey in 2008 of 476 villager small groups spread across 57 of Anhui province's rural counties.⁴ Disregarding the thirty-year household contracts stipulated by the national government, the survey revealed that fully 95 per cent of all the villager small groups had reallocated the land among families at least once since 1984. Even more striking, about 75 per cent of these land distributions were carried out explicitly and only in order to re-equalise landholdings on a per capita basis. This was in

2 Jonathan Unger, 'The Decollectivization of the Chinese Countryside: A Survey of Twenty-eight Villages', *Pacific Affairs* 58, no. 4 (Winter 1985): 585–606.

3 'Nongmin dui nongdi zhidu gaige de renzhi—jiyu Anhui sheng nonghu diaocha ziliao fenxi' ('Farmers' Sense of the Agricultural Land System Reforms—Analysing the Materials from a Survey of Anhui Province Farm Households'), *Zhongguo nongcun jingji* 中国农村经济 (Chinese Rural Economy), no. 7 (2005), p. 46. Similarly, in a 1994 questionnaire survey of 800 farm families in eight counties spread across China, only 14 per cent of the respondents declared they preferred permanent land ownership rights to be held by each household. Fully 65 per cent favoured periodic land reallocations to redistribute plots to families that had grown in size, and only 19 per cent were opposed. James Kung and Shouying Liu, 'Farmers' Preferences Regarding Ownership and Land Tenure in Post-Mao China: Unexpected Evidence from Eight Counties', *The China Journal*, no. 38 (July 1997), pp. 45–48.

4 The results of this survey are discussed in detail in Sherry Tao Kong and Jonathan Unger, 'Egalitarian Redistributions of Agricultural Land in China through Community Consensus: Findings from Two Surveys', *The China Journal*, no. 69 (January 2013), pp. 1–19. Dr Graeme Smith played a vital role in the design and organisation of the survey.

order to provide extra land for families that had expanded in size through births or weddings (with brides marrying into families), while families that had decreased in size through deaths and the departure of daughters into marriage lost land. Most of the families wanted this system as a household strategy to balance out the economic stresses of the family cycle. A vote almost always was taken among small group members before a land reallocation, and usually three quarters of the households needed to approve. In doing this, they have been bucking the Chinese government, which opposes such land reallocations and passed a strong directive in 1993 banning them and then increasingly strong laws in 1998 and 2003 that outlawed them. Nevertheless, the land redistributions quietly continued.

The Third Plenum's Decision yet again declares 'we will . . . protect farmers' contracted land-use rights . . . which will remain unchanged for a long time to come' (Article 20). In other words it again stresses that land redistributions are banned. However, since two top-level directives (*zhongfa* 中发) and a law have already been in place between 1993 and 2003 banning land reallocations, and since villager small groups across China have ignored the national law, this new Plenum declaration, which does not even have the force of law, cannot be expected to have any effect.

In any case, the numbers of such land reallocations have been in gradual decline anyway due to major changes in the rural economy. In particular, as all of us know, high numbers of villagers have been leaving the countryside to take up work in factories that produce most of what we wear today and much of the goods we buy in shops. In many villages, this means a lower dependence on agriculture, and separately, with more labour away and less labour available in villages, it also means less population pressure on the land.⁵ In most of rural China, there is no longer any need to reallocate land in order to survive in a type of agriculture that until two decades ago was largely equivalent to subsistence farming. As a result, in the dozen years between 1996 and 2008 only 33 per cent of the villager small groups in our survey reallocated land for household-demographic reasons, down considerably from approximately 90 per cent of the villager small groups which had done so in the previous dozen years.

Does this precipitous decline mean that the farmers' land reallocations will gradually peter out of their own accord? That is not likely. In the survey, 85 per cent of the villager small group heads (who are farmers elected to their posts) declared support for continuing to carry out land redistributions in the future.

When asked why, some commented that they see this as a matter of promises and

5 A survey study that analysed land reallocation behaviour in ten provinces in China for the period 1986–1999 similarly found that where a large share of the able-bodied were engaged in off-farm work, the overall level of land reallocation dropped sharply over time. (James K. Kung, Justin Y. Lin, and Shen Minggao, 'Structural Change and the Evolution of Property Rights in Rural China', unpublished paper manuscript.) A similar finding appears in Scott Rozelle and Guo Li, 'Village Leaders and Land-Rights Formation in China', *The American Economic Review*, Vol. 88, no. 2 (1998), p. 437.

fairness and explained that some villagers had given up land in previous reallocations in the expectation that as their own family conditions changed they would regain land during a future reallocation. Others answered that the long-term or permanent departure to the cities of migrant workers upsets the land balance within the villager small group, leaving some land under-utilised until a new redistribution occurs. Others saw the collective land system as a safeguard against farm families being dispossessed of their land due to debts (as has occurred in many other developing countries). Other interviewees viewed future land redistributions as a safety net for migrant workers who settle in cities but might in future lose their urban jobs, either for personal reasons or because of an economic recession. As one small-group head explained, 'In our small group, we've never had a case of anyone who's gone out and then came back and didn't get a share of land'.



Professor Jonathan Unger talking about rural land ownership

A system of collective land also strengthens farmers' capacity to resist land requisitions by local governments. In rural areas near cities or where industrialisation is expanding, it has been common for local governments to confiscate agricultural land at low prices and then to convert it into urban property or a factory zone, reaping enormous profits. In this circumstance, the villagers, since they are collectively landowners with a common vested interest in the land, have often been able to resist land requisitions through mass protests. This has, in fact, comprised

the single most frequent type of mass protest in China. Farmers would be more vulnerable and less able to mount such protests – which sometimes are successful – if they were atomised private smallholders, with some families dispossessed of their land and others not.

For all these reasons, it is welcome news that the Third Plenum has given the national leadership's firm public support to the retention of collective landholdings. The Plenum has also gone further, by announcing that 'we will vigorously promote farmers' stockholding cooperatives (*gufen hezuo* 股份合作)' (Article 21). Again, let me explain.

While in some parts of China that are urbanising, local governments requisition the land and residences of villager small groups and the farmers are left with inadequate compensation,⁶ in some other regions the villager small groups get to keep much of their land during industrialisation or urbanisation – and their members sometimes benefit greatly in the process. This is often, in fact, usually the case in the Pearl River Delta region of Guangdong province in southern China, and it can also be found in other regions in China.⁷ In these places, the rural land collectives also normally transform themselves into shareholding property cooperatives or shareholding companies, ltd. (*gufen youxian gongzi* 股份有限公司).⁸ By doing so, their land becomes less vulnerable to a take-over by higher-level authorities. But these so-called companies are really successors of the village land collectives in disguise. Similar to the past, each small-group member owns a share. Each receives dividends each year from the collective property, and after the land has become urban or industrial property, their dividends sometimes amount to more than the annual incomes of middle-class urban households.

This is what has occurred in most of Guangdong's Pearl River Delta, one of the core areas of industrial globalisation and the source of much of the merchandise that fill our shops. There, because the land remains collective property, villages often remain in place as residential communities, while factories and worker dormitories get built on the surrounding agricultural land in industrial parks owned by the shareholding collectives in their guise as companies. The goods imported from China

6 E.g., Sally Sargeson, 'Villains, Victims and Aspiring Proprietors: Framing "Land-losing Villagers" in China's Strategies of Accumulation', *Journal of Contemporary China*, vol. 21/77 (September 2012), pp. 757–77.

7 For instance, Beibei Tang of the Australian National University (ANU) has discovered this to be the case in urbanising villages in the major city of Wuhan in central China and also in the city of Shenyang in Manchuria. Sally Sargeson, also at ANU, has had similar findings for the villages she has studied in coastal Zhejiang province in the Yangtze region.

8 Four case studies of rural land collectives that converted themselves into shareholding companies are discussed in Him Chong and Jonathan Unger, 'The Guangdong Model of Urbanisation: Collective Village Land and the Making of a New Middle Class', *China Perspectives*, No. 2013/3 (September 2013), pp. 33–42. This is also described in Anita Chan, Richard Madsen and Jonathan Unger, *Chen Village: Revolution to Globalization* (Berkeley: University of California Press, 2009), Chapter 13.

by New Zealand businesspeople quite often are manufactured in the industrial parks owned by these rural land collectives.

The Third Plenum appears to encourage the spread of this shareholding system to other parts of China (Article 21), and envisions elsewhere in the Plenum's Decision that during urbanisation and industrialisation it will be important to 'ensure farmers share equally the gains from the added value of land' (Article 22).

But the Third Plenum falls short by not creating a legal framework that supports this. What has enabled villagers in Guangdong and the other areas to retain their collective land during urbanisation and industrialisation is that their local governments have been supportive. But in many other parts of China, local governments depend heavily upon the revenues generated by requisitioning rural land inexpensively and then converting the property very profitably into factory sites and urban neighbourhoods. It has been estimated that in China as a whole, in 2010 almost three quarters of local government revenues derived from this source.⁹ At the same time, the national leadership is worried about this requisitioning of land, since it is the single greatest cause of social unrest in China. Since local governments will not willingly give up this source of revenue, the Third Plenum needed to find a means to enable villages to benefit directly by converting their land directly to urban or industrial use, bypassing the local governments' land confiscations.

While rhetoric is contained in the Plenum's declarations that favours enabling the villagers to benefit in this way, does the national leadership actually plan to achieve this? The answer, in brief, is that the Third Plenum chickened out. Again let me explain. A hurdle to the conversion of rural collective land into urban land is that, under current law, all urban land must first be categorised as state land, a system in which very long-term user rights are then provided to the owners of urban buildings. When cities expand, only governments at county level and above are authorised to convert the rural collective land into urban state land. County and city governments can take advantage of this situation, and during the process of converting the rural land's status into state land they often take over the land with low compensation. The Plenum Decision indicates that the national leadership recognises the benefits of eliminating this land-conversion requirement.

But China's leadership ultimately has provided only a sop to the villages. Government regulations divide rural land into four types: agricultural land, village residential land, useless waste land, and 'rural construction land' (*jianshe yong di*). The Plenum declared that henceforth only rural construction land 'should be allowed to be directly sold or leased on the market with the same rights and at the same prices as state-owned land' (in Article 11). What is 'rural construction land'? It is land that has been in use as a village factory or a primary school site or some similar public

9 Samson Yuen, 'China's New Rural Land Reform? Assessment and Prospects', *China Perspectives*, no. 1 (2014), p. 63.

function. This is estimated to account for only about 4 per cent of village land.¹⁰ The Plenum excluded agricultural land from being released directly on the market without first undergoing a conversion into state land. Since farmland comprises the bulk of rural land, it leaves villages near cities at the mercy of the authorities. When all is said and done, it appears that the national government does not want the financial burden of having to subsidise China's rural governments and is leaving their main source of revenue in place.

Similarly, the Plenum decided cautiously that the villages' residential land should only be allowed to be sold on the market in selected trial 'pilot areas' (Article 21). Outside of such experimental pilot districts, villagers who live within striking distance of cities will continue, for the time being, to be blocked from profitably putting their house sites up for sale on the urban market. The need to have government authorities approve its conversion into 'state land' remains intact. The Plenum took a step in the right direction when it decided to allow the so-called rural construction land to enter the market without conversion into state land, but it was a baby step. When it came to the brink the Party backed off from taking more meaningful steps.

To sum up, what is significant is the Third Plenum's unanticipated re-endorsement of China's system of rural collective property, and the Plenum's endorsement of retaining collective property during urbanisation by way of converting the collectives into shareholding property companies owned by the villagers. But it will take another, future Plenum to muster the courage to prevent local governments from confiscating the rural collectives' land whenever doing so suits the local governments' purposes.

10 Ibid., p. 64.

CHINA AT THE CROSSROADS

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ZEALAND AND THE WORLD

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