

China's New Rural Land Reform? Assessment and Prospects

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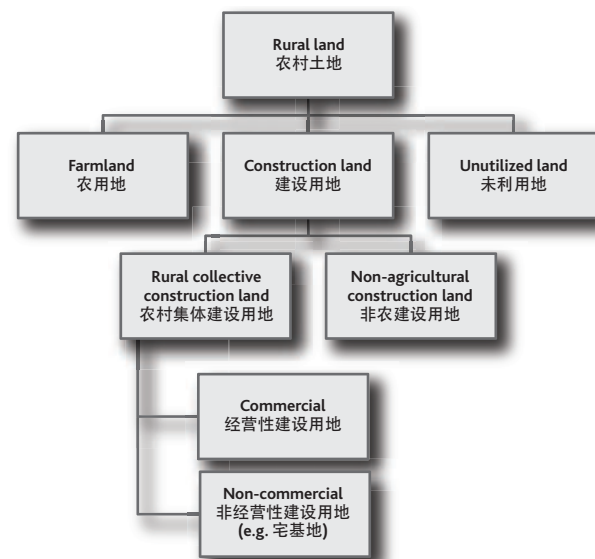
The Third Plenum of the 18th CPC Central Committee that closed last November promised to “comprehensively deepen reforms” and introduced a number of measures that seek to expand the role of the market in the economy.⁽¹⁾ One of the key reform areas is land – a major source of social unrest in China – on which Chinese leaders have reiterated the promise of giving more property rights to farmers while granting them more freedom to transfer, rent out, or mortgage collectively-owned rural land on the market.

Does this signify the official beginning of China's new rural land reform? This article seeks to understand why the Chinese authorities are undertaking such reforms to address various land-related issues, and also to evaluate how progressive they are when compared to other land transfer experiments that have already been taking place in different parts of China. It argues that while the Third Plenum reforms point in the direction of reducing state monopoly on rural land transfer and restoring land use rights to farmers, they are nothing very new. More importantly, these reforms cannot enjoy much success unless more drastic reforms are undertaken. Such reforms include reconfiguring the power relations between local governments and farmers in a way that owners of collective land will truly secure their land-use rights, as well as a thorough fiscal and tax reform that reduces the reliance of local government on land sales.

Allowing the free transfer of rural construction land for commercial purposes

To some, the Third Plenum has taken an important step forward in reforming the rural land tenure system. Among these measures, the most significant is the marketisation of rural construction land, which denotes collectively-owned rural land for non-agricultural use. In China, urban land is state-owned while rural land is generally collectively owned. Rural land is mainly divided into farmland and rural construction land (see Graph 1). The former operates under the household responsibility system, which was adopted in the early 1980s as the cornerstone of economic reforms, under which collectively-owned farms could be entrusted to individual farming households through long-term contracts that could in turn be leased out to other households. The transfer of rural construction land, on the other hand, has been strictly controlled. The Third Plenum resolution now promises to “build a unified market for both urban and rural construction land,” a tone that removes the hesitation in the Third Plenum five years ago, when the official line was to “gradually” bring about unification.⁽²⁾ This means that

Graph 1 – Rural Land Tenure System



Source: Land Administration Law of the People's Republic of China, Haitong Securities.

the transfer of rural construction land will no longer be restricted. Farmers, on the condition that the scale of farmland remains unchanged, will be able to transfer, rent out, and mortgage their land-use rights of rural construction land to anyone, or turn the rights into shares in large-scale farming entities – in theory, at least.

Full market transaction, however, only applies to rural construction land for commercial purposes (*jingyingxing jianshe yongdi* 经营性建设用地). While the reform of the rural construction land for residential housing (*zhaijidi* 宅基地), where farmers build their homes, also appeared in the resolution, it was marked by a much more cautious tone. The resolution only vows to “carefully and properly promote collateralisation, guarantee, and transfer of rural housing to increase farmers’ asset revenues in a few pilot regions.” In these regions, farmers will be allowed to transfer their housing plots

1. “Zhonggong zhongyang guanyu quanmian shenhua gaige ruogan zhongda wenti de jue ding” (Decision on Major Issues Concerning Comprehensively Deepening Reforms), *CPC Central Committee*, 12 November 2013.
2. “Zhonggong zhongyang guanyu tuijin nongcun gaige fazhan ruogan zhongda wenti de jue ding” (Decision on Major Issues on Promoting the Reform and Development of Rural Areas), *CPC Central Committee*, 12 October 2008.

through the property market. However, unlike the reform for commercial land, the extent of rollout for residential housing will be much more limited, while accompanied by stricter requirements. One possible reason for the Party's caution in allowing the full marketisation of rural residential housing has to do with the massive amount of land it would otherwise make available. According to the Ministry of Land and Resources, such land is estimated at 200 million *mu* across China by 2010, four times the amount of rural commercial land, which is at 50 million *mu*.⁽³⁾ If the full marketisation of the former type of land is also allowed, the four-fold increase in land supply will not only be extremely difficult to administer, but will also be detrimental to housing prices as well as local governments' revenue from land sales.

Reducing land grabs and maintaining the household responsibility system

The resolution also proposed some other reforms that are less novel, however. One is to tackle the problem of land expropriation, which has been a major cause of social unrest in rural China, by reducing the scope of land grabs by local governments and by standardising the expropriation procedures. Nonetheless, the same thing was said five years ago during the Third Plenum, and it did not bring about a substantial reduction in land grabs, which often leave farmers landless and poorly compensated. Meanwhile, no substantial change was made with regard to the ownership and transfer of farmland in the Third Plenum, except that farmers are now allowed to use their land as collateral in exchange for bank loans on the condition that the collective ownership and use of the land remain unchanged, in addition to the existing right to collectively own, use, profit from, and transfer contracted land. The idea is to promote the development of modern agriculture through the consolidation of farm leases under larger, more efficient farms, a policy continued since the previous Third Plenum under the Hu-Wen administration, which focused heavily on rural issues.⁽⁴⁾

Such emphasis is reinforced by the 2014 No. 1 Central Document (*zhongyang yihao wenjian* 中央一号文件), unveiled by the CCP Central Committee and State Council in January 2014, two months after the Third Plenum.⁽⁵⁾ The document, released annually and typically focusing on rural issues, places greater focus on improving the quality of agricultural production and ensuring food safety, as pollution and contaminated farm produce are becoming pressing national concerns. While such reform might result in more productive farms with larger economies of scale, it continues to affirm the household responsibility system as the backbone policy for farmlands and strictly forbids their change of purpose from agricultural use, the reason being the protection of the 18 billion *mu* arable land "red line" for stable food supply and for migrant workers to return to. But the problem about whether to keep the household responsibility system as such or whether to adopt a system that moves closer to private ownership (i.e., giving farmers the right to sell their farmland) has given rise to an on-going debate between Chinese scholars.⁽⁶⁾ Some hold that the government should allow farmers to sell their rights so as to prevent local officials from expropriating land from farmers without just compensation.⁽⁷⁾ Others reject the privatisation of rural land, arguing that it would lead to a monopoly of rural land by a small number of landlords as well as massive social turmoil due to large-scale annexation of farmland.⁽⁸⁾ Some of them even raised reservations about the idea of modernising

agriculture through encouraging larger farms without having to change the household responsibility system drastically. They argue that such reform has led to the invasion of capital into farms, causing *de facto* privatisation, which forces farmers out of capital-intensive and more profitable agriculturally-related businesses and leaves them little option other than to be "proletarianised" as migrant workers.⁽⁹⁾

Land grabs as a major source of social unrest

Despite the overall cautiousness of the land reforms in the resolution, the decision to allow the marketisation of rural construction land already shows that Chinese leaders have decided to take a concrete step to reform the rural land tenure system. Land reform is needed as an urgent remedy to quell rising social discontent caused by land-related issues. In the past two decades, land has been a major – if not the most important – source of social unrest in all parts of China. According to an estimate given by rural expert Yu Jianrong from the Chinese Academy of Social Sciences, 65% of social disturbances in China's countryside involved disputes over land.⁽¹⁰⁾ Around 43% of villages surveyed across China reported having been victims of land grabs in the past decade.⁽¹¹⁾ Chinese officials estimated that from the mid-1990s to mid-2000s, 40 million Chinese peasants were affected, among whom 60% faced "immense difficulties in life" (*shenghuo kunnan* 生活困难).⁽¹²⁾

It is thus clear that rampant land expropriation is the biggest driver behind massive social unrest. But why have land grabs become a norm in the Chinese countryside? One explanation for this phenomenon is the dynamics of

3. "Tudi liuzhuan huo jihuo baiwanyi shichang" (Land transfer may activate a market worth billions of dollars), *Jingji cankaobao* (Economic Information), 29 November 2013, available at <http://finance.sina.com.cn/360desktop/china/hgjj/20131129/071517475299.shtml> (accessed on 27 January 2014).
4. See Cheng Li, "Hu Jintao's Land Reform: Ambition, Ambiguity, and Anxiety," *China Leadership Monitor*, No. 27, 2009. According to Li, "the primary objective of the new land reform is to warrant farmers' land-use rights and to give more material incentives for various forms of transfer of such rights. More specifically, the Resolution states that the Chinese government now allows farmers to subcontract (*zhuanbao*), lease (*chuzu*), exchange (*huhuan*), and swap (*zhuanrang*) their land-use rights, or to be engaged in joint stock ownership methods (*gufen hezu*). Although these various forms of transfer of land-use rights do not mean privatisation of land, they give back to Chinese farmers the rights that they have long been denied."
5. "Quanguo tudi liyong zongti guihua gangyao (2006-2020)" (The Outline of the National Overall Planning on Land Use [2006 - 2020]), Ministry of Land and Resources of the People's Republic of China, 24 October 2008, www.mlr.gov.cn/xwdt/jrxw/200810/t20081024_111040.htm (accessed on 21 January 2014).
6. For a summary of the pros and cons of rural land privatisation, see "China: On privatization of rural land," *Global Voices*, 14 February 2009, available at <http://globalvoicesonline.org/2009/02/14/virtual-land-the-opinions-of-chinese-bloggers-on-privatization-of-rural-land/> (accessed on 26 January 2014); also see a more analytical angle from Cheng Li, "Hu Jintao's Land Reform: Ambition, Ambiguity, and Anxiety," *art. cit.*
7. Qin Hui, "Gei nongmin diquan duikang quandi" (Give farmers land rights to resist land expropriation), 26 December 2007, available at http://view.news.qq.com/a/20071226/000062_2.htm (accessed on 25 January 2014); Gou Xinyu and Yang Yang, "Cai Jiming: China Must Reform Rural Land Rights," *Economic Observer*, 22 January 2008, available at www.eeo.com.cn/ens/biz_commentary/2008/01/22/91521_2.html (accessed on 26 January 2014).
8. Wen Tiejun, "Woguo weishenme bu neng shixing nongcun tudi siyuhua" (Why China should not privatise farmland), *Hongqi Wengao* (Red Flag Manuscript), 19 January 2009, available at http://news.xinhuanet.com/theory/2009-01/19/content_10680578.htm (accessed on 25 January 2014).
9. Li Changping, "Zhongguo nongcun jiang chedi zoushang Feilübin daolu" (Chinese villages will follow the path of the Philippines), available at <http://news.sina.com.cn/pl/2008-10-06/154116403277.shtml> (accessed on 25 January 2014).
10. "Xuezhe cheng tudi wenti yizhan quanbu nongcun quntixing shijian 65%" (65% of rural mass incidents involve land disputes, according to expert), *Beijing News*, 5 November 2010.
11. Elizabeth C. Economy, "A Land Grab Epidemic: China's Wonderful World of Wukans," *Council on Foreign Relations*, 7 February 2012.
12. "Zhongguo shidi nongmin 4000 wan, you 60% shenghuo kunnan" (40 million Chinese farmers suffered from land grabs, of which 60% have difficulties in life), *Beijing News*, 10 March 2011.

local financing. Since the 1994 tax reforms, which recentralised fiscal power into the hands of the central government, local governments have been shouldering an increasing financial burden. According to data from the World Bank, local governments, on average, are responsible for 80% of total government spending – including citizens' education, health, and pensions – but they receive only 40% of tax revenue in the form of transfers from the central government.⁽¹³⁾ The budgetary gap needs to be addressed through local revenue sources, and it has only widened since the abolition of the agricultural tax in 2006. To finance rising local expenditures, local officials have turned to land sales by seizing collectively-owned rural land from farmers and selling it to property developers for large gains. This provides a lucrative source of income, especially as China's housing market booms. Guan Qingyou, a Tsinghua University professor, estimated that land sales accounted for 74% of local government revenue in 2010.⁽¹⁴⁾ Rural land, on the other hand, can also be used as collateral to secure bank loans in order to finance local infrastructure and bolster economic development, and this has led to a further expansion of local debt, which has become a major headache for the central government.⁽¹⁵⁾ As a result, both local government budgets and borrowing have become greatly dependent on land sales, breeding widespread collusion between local officials, property developers, and local gangsters in expropriating land from farmers. This results in violence, meagre compensation, and persistent social unrest in the Chinese countryside.

The key is protecting farmers' interests in land transfer

Hence, the key issue that land reforms ought to address is how to protect farmers' interests in land transfers and allow them to better exercise their land use rights. The decision allowing farmers to transfer, rent out, or mortgage rural construction land for commercial purposes is thus aimed at reining in the extensive abuse of land expropriation. According to previous laws, the central government strictly controls the ownership transfer (from collective to state) of this type of land, unless the local government requires the land for development. When the local government wants to sell a piece of rural construction land, the collectively-owned land has to be first acquired from the farmers, whom the local government must compensate. The land must then be converted into urban construction land (*nongzhuang-fei* 农转非) before being transferred to a property developer. During the land conversion process, the local government often acts as an agent or a middleman, making it easy for local officials to pocket a large chunk of value created by the land transfer and leave very little money to compensate the farmers.⁽¹⁶⁾

The "new land reform" may remove this layer of complication and allow collective owners of rural construction land to sell directly in the "unified urban and rural construction land market" without having the local government as its agent. This not only simplifies the land transfer process, but also gives farmers more direct access to the land market, thus allowing them to negotiate directly with developers for the true value of the land and enabling them to get a fairer compensation from the transaction.

Another potential benefit of this "new land reform" is to lubricate the process of urbanisation. Over the past decade, the Chinese government has embarked on an ambitious program to urbanise China. Over 50% of China's population now lives in urban areas, but less than 35% have an urban household registration (*hukou*).⁽¹⁷⁾ Without a formal urban status, rural migrants are not eligible for the welfare and housing benefits otherwise en-

joyed by urban citizens. Meanwhile, although many of them are entitled to rental income from leasing their farm plots, existing laws do not allow them to sell or rent out their non-agricultural rural land, even though a considerable portion of such land has been abandoned after farmers have moved from rural areas to seek jobs in cities. This becomes a disincentive for rural migrants to reside in cities permanently, and forms an obstacle to the urbanisation drive. Now, the "new land reform" allows farmers to cash in on the value of rural construction land. Land transfer will give them a considerable sum of asset wealth as they become urban residents, which will enable them to afford the often expensive living and housing costs. Rural migrants will consequently have greater incentive to remain in cities even in the absence of thorough *hukou* reform, which would give rural migrants and urban citizens equal status and benefits, or might even dismantle the division between urban and rural household registration. Such reform, however, is met with immense resistance, mostly from city governments, who fear that giving permanent residency to rural migrants would incur huge welfare cost. Hence, by better compensating rural migrants from land sales, the "new land reform" not only helps postpone *hukou* reform, but also supports urbanisation and encourages rural migrants to spend more in cities, buttressing the current state policy to shift the investment-driven economy to one that is driven by domestic consumption.

How new is new?

How new, however, is the "new land reform"? While the Third Plenum gives official permission to the full transfer of rural commercial construction land as well as the transfer of rural residential construction land in certain pilot regions, experiments like these have long been taking place across China. As early as 1996, the Suzhou municipal government had already begun the transfer of rural construction land. Similar experiments have since prospered in Guangdong, Jiangsu, Anhui, and Hainan Province, and experts have been using these successful experiments to urge the central government to lift the restriction on rural land transfer. In 2004, the State Council issued the "Decision on Deepening Reforms and Strengthening Land Management," which allowed rural construction land to be transferrable according to law if all planning requirements are fulfilled.⁽¹⁸⁾ However, the decision has not been implemented officially due to lack of an applicable land law, even though the transfer of such land is tacitly endorsed in many regions. With the Third Plenum resolution, the decision is now official. The "new land reform" is therefore new only in the sense that it finally approves the transfer of rural construction land in the market.

Meanwhile, some even more progressive experiments have been carried out in various pilot regions. One notable example is the "land ticket" (*dipiao*

13. World Bank and the Development Research Center of the State Council of the People's Republic of China, *China 2030: Building a Modern, Harmonious, and Creative High-Income Society*, 27 February 2012, p. 58, available at www.worldbank.org/content/dam/Worldbank/document/China-2030-complete.pdf (accessed on 5 February 2014).

14. Simon Rabinovitch, "Worries grow as China land sales slump," *Financial Times*, 5 January 2012.

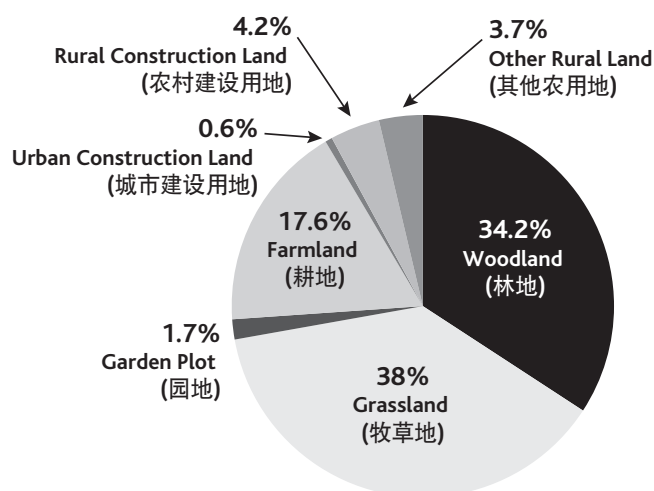
15. Chinese Academy of Social Sciences, "Zhongguo guojia zichen fuzhaibiao 2013" (China's National Balance Sheet 2013), 23 December 2013, see <http://finance.caixin.com/2013-12-24/100621372.html> (accessed on 26 January 2014).

16. See for example in Ben Hillman, "The Causes and Consequences of Rapid Urbanisation in an Ethnically Diverse Region," *China Perspectives*, No. 2013/3, September 2013, p. 29.

17. Annual Report on Urban Development of China 2012, *China Association of Mayors*, 5 July 2013.

18. "Guowuyuan guanyu shenhua gaige yange tudi guanli de jue ding" (Decision on Deepening Reforms and Strengthening Land Management), *State Council of the People's Republic of China*, 21 October 2004.

Graph 2 – Land Resources in China



Source: National Statistics Bureau, Haitong Securities.

地票) system in Chongqing and Chengdu. A “land ticket” is a type of derivative that makes rural land tradable in the stock market. The experiment was first pioneered in Chongqing as part of the “Chongqing model” under the then executive vice mayor Huang Qifan (now Chongqing’s mayor), a key political ally of fallen Chongqing Party chief Bo Xilai, who believes that urban-rural migration and marketisation of rural land can provide urban land for development while increasing arable land.⁽¹⁹⁾ Under this system, farmers first create new land for agricultural use by reorganising the rural construction land, or even by giving up their residential plots, in exchange for a right – the *dipiao* – which they can sell to others, who can then use an equivalent amount of rural land for urban development. Thus, if a property developer wants to develop a piece of rural land, it must first acquire the corresponding amount of *dipiao* through auction to certify that an equivalent area of farmland has been created elsewhere. The system has two principal merits: not only does it promise 85% of the land proceeds to the farmers, which is far above the level of compensation under land expropriation, it also allows farmers to see the true value of land through the derivatives market.

The *dipiao* system is in fact a marketised variant of the “balanced rural-urban construction land-use scheme” (*chengxiang jianshe yongdizengjian guagou* 城乡建设用地增减挂钩), which was introduced in 2006 and has now been extended to almost every province. The scheme is designed to free up rural construction land, converting part into farmland and the rest into land for urban development. However, the scheme is more conservative than the *dipiao* system. First, unlike the *dipiao* system, it does not set up a derivatives market to trade land use rights, but is instead administered by the local government. Second, according to the scheme as it stands, rural residential land is not included in the scope of transfer, although in practice there have been many cases in which farmers are forced from their homes to free up land for urban development. Third, land transfer under the balanced land-use scheme is only allowed to take place in a small territory, usually within a county or the precinct of a specific development project, whereas the *dipiao* system allows land use rights to be transferrable within the entire municipalities of Chongqing and Chengdu, because they are auctioned in a derivatives market.

Some regions have piloted other progressive experiments. Whereas most of the typical experiments are about the transfer of rural construction land

for commercial purposes, some rather experimental regions have become trailblazers in allowing the transfer of rural residential land (*zhajiji* 宅基地). Anhui Province, where the embryo of the household responsibility system took shape, announced last October, days before the Third Plenum, that it would let farmers in 20 districts and counties sell the land they live on, together with collectively-owned commercial plots.⁽²⁰⁾ However, the central government has been cautious about allowing the transfer of rural residential land on a national level, as revealed by their cautious tone in the Third Plenum resolution. One key reason is that allowing the transfer of rural housing might leave rural migrants with no home to return to if there is a massive layoff, which could potentially spawn massive social unrest. That is why the government was quick to clarify that the transfer of rural residential land in Anhui applies only to the transfer of land use rights, but not ownership – even though it is difficult to distinguish between the two in practical terms. But Anhui is not the only place where transfer of rural housing is possible. Even in places without official permission, it has become common for farmers to sell rural residential land.⁽²¹⁾ This trend has led to drastic changes in the rural landscape and peasants’ lifestyles, such as the regrouping of farmers in new multi-storey residential communities in rural areas, which in fact began with Hu Jintao’s “New Socialist Village” policy.⁽²²⁾

All of this shows that the land reforms revealed in the Third Plenum are less revolutionary than they sound. What is new in the “new land reform” is at most the official approval of the marketisation of rural construction land, which has taken place for years. Nevertheless, this is still a milestone in making more land available to fulfil China’s insatiable drive for urban development. Although commercial plots only account for one fifth of the total rural construction land, the decision to allow market transactions for commercial plots will open up a land bank that is almost double the size of the existing urban construction land (see Graph 2).⁽²³⁾ The potential looks significant: the increased supply of land can help reduce the reliance of urbanisation on land expropriation, restore the property rights of farmers to their collectively-owned rural land, and give them more reasonable compensation as they give up their land and migrate to cities. In terms of protecting the interests of farmers, the Third Plenum reforms seem to be heading in the right direction.

Two critical problems: Land financing and farmers’ lack of representation

Nevertheless, the “new land reform” fails to rectify two critical causes that underpin the problem of land expropriation. The first is the over-reliance of

- For a more complete analysis of the thinking behind the “Chongqing model,” see Philip C.C. Huang, “Chongqing: Equitable Development Driven by a ‘Third Hand’?,” *Modern China*, Vol. 37, No. 6, November 2011, pp. 569-622.
- “Anhui tests land reform in wake of plenum vow in rural property rights,” *South China Morning Post*, 13 November 2013.
- For example, see “Henan lushan zhajiji cheng kaifashang xinchong xiaochanquanfang jianshou liangwang” (Rural residential land becomes developers’ new favourite in Lusan, Henan), *Xinhua News*, 2 January 2014, available at <http://news.sina.com.cn/c/2014-01-02/160929143137.shtml> (accessed on 4 February 2014).
- Lior Rosenberg, “Urbanising the Rural,” *China Perspectives*, No. 2013/3, September 2013.
- Data released by the National Statistics Bureau of the People’s Republic of China in 2008, in a research report published by Haitong Securities, 30 October 2013, available at http://pg.jrj.com.cn/acc/Res/CN_RES/INDUS/2013/10/30/960e4b80-1998-4e63-be9a-28d424b5d052.pdf, p. 4 (accessed on 27 February 2014). According to the 2008 data, which is the latest released figure, rural construction land is about seven times the size of urban construction land. Using the data released by the Ministry of Land and Resources, where it shows the size of rural construction land for residential use is about four times that of the commercial plots, we can infer that rural commercial plots is almost double the size of urban construction land.

local government financing on land sales. Increasing the land bank by utilising underused or abandoned commercial plots can temporarily ease the pressure of forcing farmers out of farmland or housing in order to make land available for development, but this does not change the fact that local officials, who are facing huge pressure in cultivating new revenue sources, have to rely on land sales to finance spending and secure loans for local governments, where at the same time they can find lucrative rent-seeking opportunities to pocket gains. More crucially, because land that can be made available for development is limited, the policy of land financing is simply not sustainable and will eventually necessitate reforms. That is why Zhou Tianyong, a professor at the Central Party School, has suggested shifting the land-financing model to a tax-based system under which local governments can receive tax from the transaction of land-use rights.⁽²⁴⁾ That would, however, entail nationalising all rural collective land (both farmland and constructive land included) and granting long-term leases to farmers, just like the urban land tenure system where all land is state-owned. Radical as it may sound, this will be a more genuine land reform than merely allowing the transfer of rural construction land without overhauling the land financing system. Predictably, however, such drastic reform will be staunchly resisted by local governments, as it will lead to their immediate and massive loss of revenue from rural land conversion. The limited extent of fiscal and tax reforms revealed in the Third Plenum further confirmed such difficulties. While local governments will now be allowed to issue bonds to finance their expenditures, no other fiscal or tax measures were proposed to reduce their reliance on land financing.

Closely tied to land financing is a more fundamental problem that greatly curtails farmers' claim to collective-owned rural land: the power imbalance between local governments and the collective owners of rural land. In theory, rural land is collectively owned by farmers. But in practice, it is controlled by the Party secretary or the village chief, who often act in the name of the village collective or the township and village enterprises (TVEs). These village officials thus make decisions over rural land, including the leasing of land-use rights or even sale of land to property developers. This leads to a situation in which farmers have collective ownership over rural land but not the actual right to exercise their ownership, and results in large gains for the local government and officials but meagre compensation for farmers. Such problems are especially relevant to rural construction land for commercial use, which, because of its nature, is typically under the direct control of local officials. Hence, with more rural land being made available to local officials for transfer, there is a risk that the Third Plenum land reforms might even exacerbate the problem of land expropriation, contrary to what is supposed to be their original objective.

The gist of the problem is therefore one of representation: China's grassroots political structure lacks an organisation that truly represents the interest of farmers and that allows them to translate their collective ownership of rural land into actual decision-making power. Peasants associations (*nonghui*), which re-emerged in China during the 1990s and were later formally regulated under the Law on Peasants' Specialized Cooperatives (promulgated in 2006), are now present in 85% of villages across China and can potentially play a stronger role in representing the farmers. But they have been marginal in rural affairs – and many "exist in name only," according to an observer.⁽²⁵⁾ There have been other successful experiments, however. In Guangdong Province, the representation problem is partly resolved by the adoption of a different collective ownership system. Rural communities in some parts of Guangdong have retained ownership of their land

when they are developed into urban neighbourhoods or industrial zones by converting the rural collectives into property companies. Although such property companies are often placed under the leadership of village officials, the fact that villagers are turned into shareholders of the companies properly entitles them to dividends and rent from land conversion and enables them to become a propertied class.⁽²⁶⁾

The shareholding practice in Guangdong nevertheless seems to be more an exception than the rule. In most parts of China, the control of rural collectives still falls into the hands of local governments. After all, it might not be that feasible to emulate the Guangdong model in regions where the local economy is less developed and less marketised. And more fundamentally, the power imbalance is not only caused by the collective ownership system; it is also due to the fact that individual farmers' ownership of collectively-owned rural land is often unclear. Collective ownership exists in theory, but few farmers have ownership certificates to demarcate their ownership claims, including what they own and how much they own. The central government in fact began to rectify this problem long before the Third Plenum. The 2010 No. 1 Central Document emphasised for the first time the urgent need to register land ownership and land-use rights for farmland, commercial construction land, and residential land. A policy document on rural issues announced in early 2013 required that by the end of 2017, farmers should be given ownership certificates for their farmland, and that certificates for rural housing should be issued "as soon as possible."⁽²⁷⁾ Without the clear demarcation of ownership rights for farmers, the monopoly of local governments over land transfers will persist, and the land market will not become functional.

Conclusion: New land reform, a false hope?

To conclude, the success of the "new land reform" depends neither on the size of rural land made available for market transaction nor on the mode of transaction in organising land transfer. It depends on whether local governments' reliance on land financing can be significantly reduced, and whether the process of land transfer can truly account for the claim of farmers' collective ownership of rural land. The former entails thorough fiscal and tax reforms: increasing fiscal transfer to local governments and allowing them to cultivate new revenue sources, while developing a tax-based income system. The latter involves the reconfiguration of grassroots power relations between local governments and farmers in order to restore farmers' rights to their land. Without taking these painful steps, the "new land reform" is, at best, a false hope.

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24. "Zhou Tianyong: tudi suoyouquan guoyou, shiyongquan yongsu" (Zhou Tianyong: Nationalise all land, issue land-use rights), *Caixin*, 11 December 2013, available at <http://china.caixin.com/2013-12-11/100615975.html> (accessed on 21 January 2014).
25. Cheng Li, "Hu Jintao's Land Reform: Ambition, Ambiguity, and Anxiety," *art. cit.*
26. Him Chung and Jonathan Unger, "The Guangdong Model of Urbanization: Collective village land and the making of a new middle class," *China Perspectives*, No. 2013/3, September 2013.
27. "A world to turn upside down," *The Economist*, 2 November 2013.