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Session 19

The New Land Reform: Experiments and Beyond

Time: 17:00 - 18:15, March 24th, 2017

Venue: ICC, Level 1, Dong Yu Grand Ballroom A

Moderator:

-QIN Shuo, Founder, Commercial Civilization Research Center of China & Chin@Moments

Panelists:

-CAI Jiming, Director, Centre for Political Economy, Tsinghua University

-LIU Shijin, Former Vice Minister, Development Research Center, State Council, China

-WEN Tiejun, School of Agricultural Economics & Rural Development, Renmin University of China

-YAO Yang, Dean, National School of Development, Peking University

Key points:

- The biggest advantage of collective land ownership is that it used to provide a kind of social security.
- The three drawbacks of current land system are: unreasonable land expropriation system, strictly restricted transfer of rural construction land and planned allocation of land resources.



- Only by bringing in the market mechanism can we increase land supply.
- Without land system reform, it will be difficult for China to maintain a steady growth.
- The fundamental question in discussion on land system is whose interest it serves.
- The core of market entry of collective land is the entry of residential land.
- Rural areas are facing a big problem, namely the rectification of the farm land.
- Land ticket transactions can occur between collective ownerships, and the government does not need to take the land.
- The top-level design of land reform involves two practical problems: one is the local government debt; the other is whether the farmers can get financial benefits.
- The best way to control housing prices and increase supply is to enlarge the plot ratio.
- Solution for the traffic congestion in Beijing and other metropolitan areas: to build dozens of small towns in the surrounding areas.

Synopsis:

Land system is the most basic system of the country. Each year, land finance alone attracts a lot of financial media and urban media. Since the 3rd Plenary Session of the 18th CPC Central Committee, the ownership of land system, and division of three rights, etc. have become key words. The central government's reform of three-rights division on agricultural land, residence, and construction land is another reform after the reform of the household contract responsibility system. There are some pilot projects and experiments. The associated high housing prices in cities also become an indispensable topic in land reform.



Three Drawbacks of the Current Land System

CAI Jiming noted that Land system involves many aspects, such as constitution, property law, rural land contract law, security law and so on. The drawbacks of the land system manifests mainly in the following three aspects:

First, unreasonable land expropriation system. China's land acquisition system is based on two-dimensional urban and rural land. Rural land is collectively owned. The expansion of the city will certainly take up the land in rural areas. At the moment, the only way of taking up rural land is by expropriation.

The reality is that the local governments expropriate a lot of land for industrial, commercial and real estate development purposes in the name of serving public interest. However, when making compensations to farmers, the land is valued based on the agricultural use of the land, which leads to a huge difference between compensation and land-transferring fees. The land expropriation system also causes conflict between the urban and rural areas and between farmers and the city and government. It is even responsible for corruption in some degree.

Second, the transfer of rural construction land is strictly restricted. Rural collective land as a share of the whole rural construction land is very small. Residential land is not allowed to be transferred. At present, the transfer of contracted land is only about 1/3. Only 3.5 million rural households operate no less than 100 *mu* of land when there are still more than 200 million rural households in the rural areas. If even the lowest scale operation of 100 *mu* can't be guaranteed, it is very difficult to achieve agricultural modernization.



Third, the planned allocation of land resources. We need to allow the market to play a decisive role in the allocation of resources, but it is precisely in the land that we use the planned allocation. As a result, populations concentrate in first-tier cities and are facing mounting pressures of high housing and commodity prices.

CAI Jiming believed that because the land is very limited, in recent years, cities with more than 5 million people have started to strictly control new construction land supply. The third-tier and fourth-tier cities have a large amount of residential housing stock as they do not need so much land. It all boils down to the problem of allocation of land resources.

LIU Shijin noted that the equal price and equal right of state-owned land and rural collective construction land has yet to be achieved. If the rural collective construction land and residential land can enter the market, and if the supply can reach more than 40%, then China's housing prices will not be so high. The government should not just take measures on the demand side. The fundamental problem lies in the supply side of urbanization.

LIU Shijin stressed that without reform on land system, it will be difficult for China to maintain a steady growth.

WEN Tiejun noted that the fundamental question of discussion in land system is about whose interest it serves. If it should serve the interests of rural areas and farmers, then the land administration law is not good, because it deprives farmers of their rights. We should have equal rights and benefits. It is hoped that the new round of land reform can create better entrepreneurial and innovative opportunities through urban and rural integration.

YAO Yang noted that in the past, the biggest advantage of land ownership system is that it used to provide a kind of security. In the absence of social



security in rural areas, sharing land is a kind of social security. For example, during the 1997 Asian financial crisis, other countries went through a lot of turbulences, but China did not. To date, the social security function of land has been very weak, and the vast majority of farmers no longer rely on land as their main source of livelihood. When land loses its security function, land reform of three rights division is very important. On the operational level, the land should be made more convenient. Farmers should have the property rights and disposal rights. On a deeper level, the land ownership of farmers should be developing toward the personalized direction.

YAO Yang noted that there are many empty houses in rural areas. Farmers build houses once they have money. As a result, the old houses are deserted. If these residential properties can enter the market, then cities and rural areas can work together to develop the land. The land will be circulated in the market. Areas with more quotas can sell them to developed areas. The total volume control is absolutely right, because once the farmland is converted to non-farmland, it is irreversible.

Land Reform and Institutional Reform

CAI Jiming noted that the design of new land reform should integrate three rights division and reform on the residential land of rural areas. If we do not give market access to rural land, then the entry of collective land does not make much difference and we cannot truly realize rural and urban integration. The core is the entry of collective land and the core of collective land is the entry of residential land.

CAI Jiming noted that land ticket offers a very good solution to policy shift in the remote residential land. After the shift of land ticket in the remote areas, the land will still be expropriated by the state. If it is not for public interest, the state does not need to occupy agricultural land around cities. In fact, circulation and trade can take place directly between two rural villages.



Retention of collective ownership is consistent with the right to development. All transactions with land ticket can be conducted between two collective ownerships, and the government does not necessarily need to expropriate the land.

LIU Shijin noted that the land reform should combine top-level design and grassroots experiments. The top-level design needs to solve two questions: direction and bottom line. The rest is with the system. Studies will be carried out in rural areas and rural households. Reform is innovation and innovation is the process of trial and error.

WEN Tiejun noted that top-level design involves two practical issues. One is the government debt. At the moment, government debt is sold by government itself or through other departments. It's limited and slow. The other is whether farmers will have financial benefits and how do they benefit.

YAO Yang believed that discussions about land reform, residential land in particular, is significant to the suburban areas but not much so to the remote rural areas. The bigger problems of rural areas is that many villages are empty and the land is wasted. So we must concentrate the populations and this is the trend. The Chengdu model is a good example. It saves sand and if you want to increase land quotas, then you need to compensate the farmers.

Causes and Solutions for China's High Housing Prices

LIU Shijin noted that many factors lead to high housing prices. Basically, it is the relation between supply and demand. China has witnessed great changes on the demand side. The Pearl River Delta and Yangtze River Delta regions have good economic benefits and young people also have more entrepreneurial opportunities, but these areas face a shortage of land.



LIU Shijin noted that rural construction land and the state-owned land should have equal rights and prices. But this has not been realized. If the land supply can reach over 40% and if the rural construction land and residential land can have access to the market and pay taxes according to regulations, the housing prices will not be so high. It is a problem on the supply side. So we should not only just take measures on the demand side. The fundamental problem is the supply-side reform during urbanization.

LIU Shijin stressed that China's high housing prices have something to do with currency. But China's housing bubbles are rigid, which benefit some people. The hike in housing prices also drives the living costs in cities to rise. In some cases, some industries shrink and finally decline due to high costs.

LIU Shijin noted that the so-called high prices, in fact, are driven by a rigid demand, especially from young people who pursue their dreams in big cities. It is suggested that the government promote a form of long-term public rental and build public rental housing units according to land usage. The rental can be 20 to 30 years, and the rental fee should be in line with market conditions. In this way, we can prevent people from joining the property speculation.

YAO Yang noted that the best way to control housing prices and increase supply is to enlarge the plot ratio. The current requirement on plot ratio is very low. Most buildings have ten stories or so. This is a huge waste.

YAO Yang noted that we need to educate the general public. When the housing prices are rising, they all think that they will keep rising. Only when the housing prices fall several times will they learn the lesson and understand the nature of real estate market. The government does not need to control the housing prices. We can build some affordable housing to provide shelter for low income earners.



Solutions for the Traffic Congestion in Big Cities

LIU Shijin noted that traffic congestions can be solved by transforming the urban structure. For example, we can build dozens of small towns around Beijing and connect them to the city through railway transportation.

The parts that cause traffic jam should be moved out, including research city, media city, petroleum and petrochemical city, power city, electrical appliance city, especially headquarters of central enterprises. In this way, we can mitigate the traffic jams in the cities.