



# Elevating the peasants into high-rise apartments: The land bill system in Chongqing as a solution for land conflicts in China?



Ray Yep\*, Ray Forrest

Department of Public Policy, City University of Hong Kong, 83 Tat Chee Avenue, Kowloon Tong, Kowloon, Hong Kong

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## ABSTRACT

In recent years, the Chinese central government has become increasingly concerned about the loss of agricultural land and future grain security and regulation over land utilization has been tightened. Amidst the official rhetoric of a “New Socialist Countryside”, local administrations across China came up with a novel form of land utilization involving the transfer of peasants into high rise apartments. The beauty of the scheme is that the supply of new land in the rural area (released by the peasants who have abandoned their traditional village houses) enables the municipal administration to initiate development and construction in other locations within its jurisdiction where the land value is higher. Chongqing introduced a further innovation in the form of a “land bill system” that greatly facilitates and securitizes land transactions. The conversion of construction land rights into a marketable financial document enhances the transparency of the transactions and reduces the cost of land deals. The paper provides an account of the genesis, implementation and evaluation of this new scheme. This institutional innovation seems to provide a win–win situation for all stakeholders. Nevertheless, peasants may suffer in the long run and the impact on rural governance may also be damaging.

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## 1. Introduction

The boundaries of Chinese cities have changed dramatically over the last three decades putting growing pressure on the populations on the rural margins. As a consequence the distinctions between the urban and rural have become increasingly vague, ‘porous spaces’ of peri-urbanisation (Harvey, 2004). The demise of the economic planning mechanism and the fading of the *hukou* system unleashed a massive movement of population and capital that had been effectively suppressed in Mao’s time. China is now the epicentre of ‘accumulation through urbanization’ (Harvey, 2010) and has witnessed extensive and sometimes violent conflicts over illegal zoning and land grabs, Harvey’s concomitant process of ‘accumulation through dispossession’ (Harvey, 2004). These conflicts have been part of a broader set of widening fissures in a transformed and transforming Chinese society in which land sits centre stage in the accumulation and development process. The tensions are particularly evident between migrants, peasants and urban *hukou* holders. China’s high speed urbanization has been

inevitably uneven and often unpredictable in its form and consequences and has involved a constant to-ing and fro-ing between local and central government in terms of institutional and policy change. The tensions between the Chinese peasants and the various vested interests in the revalorization of agricultural land are being continuously reshaped and renegotiated.

The distinctive nature of the urbanization process in China is rooted in the dualistic structure of the land system, institutional changes in relation to the share of tax revenue between local and central government and role of land in local capital accumulation (Lin and Yi, 2011). According to Article 10 of the Constitution of the People’s Republic of China, all urban land is owned by the state (*guoyou*) and all rural land is owned by the collective (*jiti*). In 1988, a revision of the Land Management Law allowed landowners to lease land-use rights in exchange for capital and a land market was thus created. Understandably, urban land leases for non-agricultural purpose are the most lucrative transactions but rural land must first go through a conversion procedure in the form of state requisition (*zhengdi*) before it can be leased out to outsiders. This process thus allows the state an indispensable role in the regulation and management of land supply. On the other hand, the tax sharing system which was introduced in 1994 divided all taxes into 3 categories: central tax, local tax and shared tax. It was intended to enhance the central control over the allocation of fiscal

\* Corresponding author.

E-mail addresses: [sarkmyep@cityu.edu.hk](mailto:sarkmyep@cityu.edu.hk) (R. Yep), [safaray@cityu.edu.hk](mailto:safaray@cityu.edu.hk) (R. Forrest).

resources. One of the consequences is a significant reduction of revenues available for local administrations and thus increased importance of land development for local public finance.

China's steep upward economic trajectory and the associated pressures to utilise land use change to provide capital for local and regional development has involved a substantial loss of agricultural land (Ding and Lichtenberg, 2011; Lin and Yi, 2011). Between 1987 and 2010, it has been estimated that at least 52 million farmers lost their farmland (Ong, 2014). By 2007, the total farmland area had fallen to 1.826 billion mu (121.7 million hectares), only marginally above the minimal level of 1.8 billion mu set up by the central government to ensure grain security (Long et al., 2012). The scale of this conversion of agricultural to developed land raised strategic concerns regarding China's food security. Moreover, encroaching urbanization has not only seriously depleted the amount of land available for agricultural production but also impacted on the soil quality of the remaining farmland (Chen, 2007). For these reasons, the Chinese central government took various measures in the late 1990s to protect farmland by imposing strict quotas on provinces.

The tension between these quotas and the demand for construction land (and the associated revenue) produced various innovative ways by local government to circumvent these constraints (Zhang et al., 2014). Land sales generate a steady flow of funds for local government. According to one estimate, 70 per cent of the revenue goes to local governments (Yew, 2012) and they have become increasingly financially dependent on such sales in recent years (Zhou et al., 2012). For local governments, it is also a way to externalize and delegate the responsibilities and risks of infrastructural and economic development to property developers. Moreover, and critically, local government can also barter land for development capital from banking institutions (Yew, 2012). Such a land-centric approach to capital formation by urban administrations, however, entails an inevitable inroad into the countryside. But as intimated above, Chinese peasants have not always been prepared to accept this encroachment without a fight. The uprising and siege at Wukan village in Guangdong in 2011, which attracted international attention, epitomized the determination of the Chinese peasantry to defend their interests (Jacobs, 2011). And while many have resorted to a confrontational approach to resist the threat of land grab, others have sought to explore policy opportunity or to exploit ambiguity in institutional change in their pursuit of a fairer share of the increased land values (Yep, 2013). These local experiments and innovations reflect a process of continual negotiation and renegotiation over land utilization between the various stakeholders. The different claimants have different pre-occupations. For central government, grain security, control over macroeconomic development and political stability always come first whereas local administrators are driven primarily by the imperative of fiscal balance, local developmental needs and their own career ambitions. For the peasants, concerns with economic and financial security shape their response to external threats to their entitlement to land use.

It is against this background that this paper explores recent land use policy innovations in Chongqing, a city which has been at the forefront of policy experimentation and political controversy. Its status as the only directly governed municipality outside the coastal region has given it a prominent position in trying to address the wide disparities in terms of wealth and life chances between the east and west of China and particularly in relation to urban-rural divisions. In Lim's analysis of what he refers to as the counter movement of 'spatial egalitarianism', most notably plans for massive public housing development, he talks about the Chongqing 'model' and the Chongqing 'experience' (Fan Lim, 2014). Bo Xilai's removal as Chongqing's party chief and subsequent legal prosecution has inevitably enhanced international academic and

policy interest in the city.

With the tightening of central government's regulation over land utilization in recent years and the rhetoric of "New Socialist Countryside", local governments across China came up with a novel form of land utilization- "elevating" or "upstairsing" (Local Government: Emergi, 2014) the peasants into high rise apartments (Ong, 2014). In return for their consent to release their residential land (*zhaijidi*), peasants are allowed to purchase an apartment in a newly-built, multiple-level and modern-looking building at a subsidized price. The supply of new land in the rural area (released by the peasants who have abandoned their traditional village houses) enables the municipal administration to initiate development and construction in other locations within its jurisdiction where the land value is higher (Johnston and Madison, 1997).<sup>1</sup> Chongqing, however, went one step further in facilitating and securitizing land transactions. A financial instrument or "land bill" was developed that establishes a closer link between peasants and the market and reduces the transaction costs for investors. The paper provides an account of the genesis, implementation and evaluation of this new scheme. We argue while the Chongqing model may have provided a better deal for the peasants, the long term impact on their livelihood and, more importantly, on the authority of the local state may be profound.

The paper is based on the findings of a larger project on the implications of the massive relocation of peasants. The research was carried out in Chongqing, Dezhou in Shandong and Nantong in Jiangsu during the summer of 2014. The three locations were chosen primarily because the experiment of relocating peasants into high rise building had been enthusiastically implemented by these local governments. Nevertheless, they do represent significant differences in approach. Whereas both Dezhou and Nantong embrace the "elevation" practice as a way of increasing the stock of construction land quota, they denote a marked contrast in term of the scale of relocation. Dezhou, like most locations across the country, opts for a more moderate approach as the average size of a new community is in the region of a few hundred households. Nantong is however, an example of much larger venture. Its pilot scheme of "10,000 ha Farmland Project" (*wanqing liangtian*) entails the transfer of several thousand households into a new neighborhood. The focus of this paper, the Chongqing experience, represents something even more daring. Its innovation of a "land bill" sale presents a completely different logic of negotiation between central and local governments, capital and peasants. The inclusion of these three cases thus provides a more comprehensive and thorough evaluation of the impact of the process. The research involves a survey of 900 respondents in the three locations and interviews with 72 peasants, officials at local and central levels, and experts. Fifty-three of these interviews were with peasants chosen primarily on the basis of length of residence after relocation and economic conditions. This paper is focused on the analysis of the land bill system practiced in Chongqing. Thus, the following discussion is primarily based on the findings of the 300 questionnaires and 28 interviews completed in the 6 communities in Nanchuan district, Banan district and Bishi county of Chongqing where one can find the advanced development of the relocation policy in the municipality.<sup>2</sup>

<sup>1</sup> The transfer of development rights (TDR) as a planning and zoning tool actually has a long history outside the Chinese context, notably in the USA where it was first introduced in New York in 1916. See Johnston, Robert A., Madison, Mary E., 1997. From landmarks to landscapes: a review of current practices in the transfer of development rights. *J. Am. Plan. Assoc.* 63 (3), 365 – 378.

<sup>2</sup> The work is part of a larger research project funded by the Hong Kong Research Grants Council which is exploring the impact of Chinese urbanization on traditional rural communities (GRF Project No: 9041843).

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