



Can land market development suppress illegal land use in China?



Zhigang Chen ^{a,*}, Qing Wang ^b, Xianjin Huang ^a

^a School of Geographic and Oceanographic Sciences, Nanjing University, 163 Xianlin Avenue, Nanjing Jiangsu Province 210023, China

^b School of Humanities and Social Science, Nanjing University of Posts and Telecommunications, 9 Wenyuan Road, Nanjing Jiangsu Province 210023, China

ARTICLE INFO

Article history:

Received 9 February 2015

Received in revised form

5 June 2015

Accepted 13 June 2015

Available online 23 June 2015

Keywords:

Land market development

Illegal land use

Suppressive effect

China

ABSTRACT

China's land market is a dual-layer market system consisting of primary and secondary land markets. In order to examine whether the development of the dual-layer market system can suppress illegal land use, this paper firstly explores the impact of land market development on illegal land use theoretically, based on the analysis of China's land market development and its characteristics. Then, an econometric model is built to test the specific impacts of the primary and secondary land markets development on illegal land use respectively, using the provincial-level panel data of Mainland China from 1999 to 2008. The results show that the expansion of conveyance scale in the primary land market will arouse the obvious increase of illegal land use area, but the enhancement of marketization degree of land conveyance in the primary land market and the expansion of transaction area in the secondary land market will be helpful to suppress illegal land use at some degree. Moreover, the impacts of China's land market development on illegal land use present remarkable regional differences. The land market development in the eastern region has more obvious impacts on illegal land use than that in the central and western regions. This study will provide a reference on how to effectively suppress illegal land use and promote land market reform in China in the future.

© 2015 Elsevier Ltd. All rights reserved.

1. Introduction

At present, illegal land use¹ could be found everywhere in China and presents the trend of ceaseless spreading (Chen, Wang, Zhao, Huang, 2010; Tang and Chung, 2002). According to the data publicized by the Ministry of Land and Resources of China from 1999 to 2012, the number of various illegal land use cases decreased from 166,042 to 61,821, but the area of illegal land use increased from 28,674.82 ha to 32,026.18 ha, representing a growth of nearly 12% (MLR, 2013). If illegal land use is not effectively suppressed, it will not only induce the inefficient utilization and wastage of plentiful land resources, but also produce negative impact on China's economic development and social stability (Cai, 2003; Lin, 2010; Liu, Fang, Li, 2014; Long, 2014; Tian, 2008; Wang and Scott, 2008; Zhu and Hu, 2009). As we all know, it is not helpful for the solution of problems unless the root of problems is discovered. In China, the

research on the influential factors for illegal land use has aroused the attention of scholars (Liang, 2009; Long and Chen, 2011). Such factors as economic development, population growth, and land finance (or land conveyance fee) are generally accepted as the important reasons for that illegal land use still happens despite repeated prohibitions in China (Ho and Lin, 2003; Zhong, Huang, Ye, Scott, 2014). Substantially, illegal land use is related to the low efficiency or failure of land resource allocation mechanism (Liu and Wong, 2012), and the impacts of the abovementioned factors on illegal land use even have close relationship with the development of China's land market (mainly urban land market). Economic development and population growth will arouse great demand for land (Deng, Huang, Rozelle, Uchida, 2010); when land users' demand for land cannot be satisfied by the supply in lawful (or formal) land market, they will possibly use land illegally (for example, occupying and developing farmlands illegally, or buying construction land through informal market, etc.). On the other hand, the supply of newly-added construction land is controlled by local governments (Li, 1997), so for the purpose of pursuing economic interests (e.g. land conveyance fee) they may also convey land in violation of the examination and approval formalities. Along with that China's central government requires further promoting market-oriented reform, the impact of land market development

* Corresponding author.

E-mail addresses: zgchen@nju.edu.cn (Z. Chen), wangqing@njupt.edu.cn (Q. Wang), hxj369@nju.edu.cn (X. Huang).

¹ The activities that land users obtain newly-added construction land or local governments convey construction land in violation of the examination and approval formalities regulated in laws.

on illegal land use will become increasingly important.

The existing research focuses less on the relationship between China's land market development² and illegal land use. Lin and Ho (2005) have ever pointed out in their research on China's land market development that the widespread existence of illegal land use (or informal land use market) is related to the laggard development of formal land market. Tao, Zhang, Li, (2010) have researched the impacts of different land conveyance (churang) methods on illegal land use by using the statistical data of China's land market, and the result shows that public tender (zhaobiao) and auction (paimai) with high marketization degree are helpful for suppressing illegal land use. Zhang, Zhang, Xu, (2013) have further discovered in their research that illegal land use with the government's participation is closely related to the changes of land conveyance system, and the illegal land use behaviors before the improvement of land conveyance system are mostly for making private profits; while after the improvement of land conveyance system, local governments usually use land illegally by colluding with enterprises or individuals for the purpose of economic growth (Zhu, 2002). Obviously, the abovementioned researches mainly discuss the government's impact on illegal land use by perfecting the conveyance methods (or enhancing the land marketization degree) in the land market controlled by it. It should be said that, the improvement of conveyance methods is only an aspect of China's land market development. China's land market has obvious characteristics different from those of the Western countries: It is a dual-layer market system consisting of primary and secondary land markets (Lin and Ho, 2005). The market in which the government monopolizes the supply and conveys state-owned land use right to users is called as primary land market; while the market in which land users trade land use right freely without the government's participation is called as secondary land market (Ding and Lichtenberg, 2011; IFTE-CASS and IPA-NY, 1992; Xie, Parsa, Redding, 2002). Will the development of this dual-layer market system, especially the expansion of transaction scale in the primary and secondary land markets also suppress illegal land use at some degrees, just like the improvement of land conveyance methods? This is a problem deserving study.

This paper attempts to examine the specific impact of land market development on illegal land use by using provincial-level statistical data in Mainland China. The structure of this paper is as follows: Section two briefly introduces the development of China's land market and its characteristics, and then discusses the impact of land market development on illegal land use theoretically. In section three, an econometric model about the impact of land market development on illegal land use is constructed for the empirical analysis. Section four evaluates the specific impact of land market development on illegal land use based on the above econometric model, using the full sample of Mainland China and samples of the eastern, central, and western regions respectively, then analyzes and discusses the results. In the last section, conclusions and policy recommendations are provided for the suppression of illegal land use and land market reform in the future.

2. Theoretical framework

2.1. China's land market development and its characteristics

Before the reform and opening-up, China's urban land use right allocation was a highly administrative process, and the government controlled the whole allocation process. Land users didn't need to pay the fee for using lands, except that the government needed to compensate peasants at land expropriation process (IFTE-CASS and IPA-NY, 1992). In the 1980s when China carried out the reform and opening-up policy, the government started to collect land use fee in some cities as experimental units in order to realize the true value of urban land use right. However, China's urban land use right market was not commonly acknowledged until Shenzhen City transferred the use rights of three state-owned lands successively by means of negotiation, public tender, and auction in the second half of 1987. (Deng, 2005; Yeh and Wu, 1996). After that, in order to push forward the development of land market, Chinese government promoted the revision of relevant laws. The Constitution revised in April 1988 deleted the "regulation of not allowing land transfer" and added the article of "land use right can be transferred according to the regulations of laws" (Wong and Zhao, 1999; Zhu, 2005). The relevant articles of the *Land Administration Law* were also changed. The *Interim Regulations of the People's Republic of China Concerning the Conveyance and Transfer of the Use Right of the State-owned Land in the Urban Areas* issued and implemented in May 1990 further regulated that, "the state, in accordance with the principle of separation of land ownership and use right, implements the system whereby the use right of the state-owned land in the urban areas can be conveyed and transferred". Since then, China has preliminary formed the urban land market system. Wherein, state-owned land use right conveyance is considered the primary allocation of urban land, and it is a land use right transaction activity between governments and land users, also known as primary land market (Koroso, Molen, Tuladhar, Zevenbergen, 2013; Lin and Ho, 2005). In this market, the government conveys state-owned land use right by means of non-gratuitous competition such as negotiation, public tender and auction, etc., or by means of administrative allocation, leasing, and other methods. The transfer, leasing and mortgage of state-owned land use right are the transaction activities occurring among land users,³ and these are considered the re-allocation of urban land, also known as secondary land market (Lin and Ho, 2005; Xu, Yeh, Wu, 2009). According to the regulations of laws, the land use right transacted in the secondary market is only limited to the land use right obtained by means of compensatory conveyance (Ho and Lin, 2003). At present, China implements urban and rural land binary ownership, and the lands in urban and rural areas are owned by the country and rural collective respectively. According to the regulations of the *Land Administration Law*, in case it's necessary to increase construction land for urban development, the government must expropriate the land owned by rural collective and make it become state-owned, then transfer it to land user through the primary land market. Therefore, the primary land market is obviously featured by the government's control (or monopoly) on land supply (Zhang, 2014). This will not only restrict the development and perfecting of land market at a certain degree, but also possibly arouse illegal land use behaviors. Comparatively, the secondary land market is closer to

² The land market stated herein indicates "urban land use right market". According to the regulations of Chinese laws, urban land is owned by the State, while rural land is owned by the collective. At present, there is not a formal market for trading the use right of collective construction land. The State's act of expropriating collectively owned land belongs to the circulation of land ownership, and it is generally excluded in the urban land market system in the existing researches (Koroso et al., 2013; Lin and Ho, 2005; Yeh and Wu, 1996).

³ Some researches take land mortgage as a part of the secondary land market, but the mortgage of land use right in China mainly occurs in the process of land use right holder's fund raising (obtaining loan from bank or borrowing money from individuals and enterprises), and the land use right is not circulated in reality, so it is not taken into the scope of the secondary land market in this study.

Download English Version:

<https://daneshyari.com/en/article/7456257>

Download Persian Version:

<https://daneshyari.com/article/7456257>

[Daneshyari.com](https://daneshyari.com)