



The policy and praxis of compensation for land expropriations in China: An appraisal from the perspective of social exclusion

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ABSTRACT

Land acquisition and the subsequent issues incurred have recently become a prominent social issue in China. Aiming to proffer a more in-depth understanding of this unique land-use procedure (in comparison to that in European nations such as the Netherlands and Germany), this paper first reviews the evolution of land acquisition policies since the introduction of the Open-Door Policy in the late 1970s, and assesses the impact of these policies on land-lost farmers from the perspective of social exclusion. The major findings are: (1) although existing policies on land acquisition, particularly in terms of compensation, have been gradually improved in nominal terms, land-lost farmers are still subjected to various forms of exclusion in the society; (2) the central government should consider revising the existing measures regarding social security, and introduce other supplementary policies that help enhance their competitiveness in the labour market (such as occupational training) and discourage the cultural, psychological, and social network exclusions, in the backdrop of rural–urban disparity in order to address the potential social issues caused by the influx of land-lost farmers in the cities.

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Introduction

China is one of the world's fastest urbanizing countries today. It is projected that 10–15 million Chinese people migrate from rural villages to urban areas on a yearly basis (Ding, 2004). Urbanization rate has progressively increased from 18% in 1978 to 46.6% in 2009 (Zhang, 2010). However, such accomplishment comes with a cost. According to Bao (2008), by 2008, 50 million farmers have their lands expropriated. In the next 10 years, China shall maintain high economic growth, with the implementation of national programmes such as *guojia zonghe peitao gai ge shiyanqu* (pilot areas of national comprehensive reform), the Grand Western Development Programme, the revitalization of old industrial bases in the Northeastern regions, and the development of the central regions. A result of all these policies is higher demand for arable lands, resulting in a higher number of land-lost farmers. It is expected that the number of land-lost peasants will reach 100 million by the end of 2020.

The significance of peasants in the history of contemporary China is unquestionable. It was through the mass movements of them that eventually led to the establishment of the People's Republic of China (PRC) in 1949, under the rule of the Chinese

Communist Party (CCP). In the early 1950s, under the banner of socialism, land ownership was expropriated from *dizhu* (landlords) by the Communist Party to the farmers (Yang and Wu, 1996). Nonetheless, since the Reform and Opening-up in 1978, the importance of the latter has gradually declined as China has undergone unprecedented socioeconomic transformations. In the era of rapid urbanization and land acquisition, Chinese farmers are facing various difficulties in their daily lives, employment, child-care, pension, etc. Although these farmers are granted the right to reside in urban areas as their farmlands are being expropriated, they not only are not able to find suitable jobs, but also can hardly adapt to the urban lifestyle (Wang, 2008); and without the farmland, they are not able to maintain even the basic living standard. These farmers become marginalized in the society, which could lead to profound implications on China's societal development and political stability as social tension and injustice arise (Ding, 2007; Tan et al., 2011; Ding and Lichtenberg, 2011). It is reported that 70% of China's land petition cases are caused by land acquisition (Lu, 2003). Premier Wen Jiabao once said, "If we use multiplication, any small problem multiplied by 1.3 billion will end up being a very big problem. For a very big aggregate divided by 1.3 billion, it will come to a very tiny figure." (Washington Post, 24 November, 2003).

Currently, the majority of China's populace are peasants (700 million). If the issues surrounding land acquisition are not properly addressed, serious social consequences would arise, affecting the stability of China as a whole. Therefore, study of how these land acquisition policies affect rural peasants, from different

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perspectives, is both critical and timely. Nonetheless, the majority of previous studies in this regard have mainly focused on the economic and legal aspects of these policies. Through an investigation of other aspects such as employment and social security, cultural and psychological impact, and the impact on these peasants' relationship networks, we believe that this study could add some insights to the existing literature.

The rest of this paper is organized as follows. The next section reviews the policies on land acquisition in China. Then, the evolution of compensation policy for land-lost farmers in China since her Opening-up in the late 1970s is to be discussed, followed by the assessment of China's land acquisition policy, from the perspective of social exclusion. The final section concludes the study and provides policy recommendations.

Literature review

Land acquisition

Land acquisition system is a land management system which has been widely used in many countries and regions, aiming at (1) providing land for public and social amenities; (2) correcting economic and social inefficiencies in private market operations; and (3) providing greater equity and social justice in the distribution of land (Larbi et al., 2004). For the first aim, there exists the need to provide public social and economic amenities,¹ and to reserve land for other uses that could be beneficial to the society yet are unlikely to be privately provided. For the second, land acquisition could be used to achieve a degree of efficiency not achievable by private market operations, by guiding development and redevelopment of land to more desirable purposes, limiting urban sprawl and unnecessary encroachment on agricultural land, and achieving economies of scale and least-cost production of public services (Courtney, 1983; Whitehead, 1983; Rivkin, 1983). And for the third, it is used in search for greater equity and social justice in the distribution of land (Lichfield, 1980). According to Asiama (1980), the poor can have easier access to land if the government intervenes to limit price escalations. The ethos of public sector agencies is often based on the assumption that they should compensate for the failure of private housing markets by providing for those who are directly in need (Payne, 1999).

Based upon these rationales, the rights of land acquisition, grounded on the concept of 'public interest' (Miceli, 1993; Fischel and Shapiro, 1989), are thus established. For most countries, it is a legal requirement that fair and reasonable compensation shall be provided to affected parties of land acquisition.

Land acquisition in China

In Mainland China, however, there are other motives for land acquisition beyond the notion of 'public interest'. Since the introduction of the Open-Door Policy of the late 1970s, the Chinese government managed to attract the inflow of foreign capital in taking advantages of the nation's immense land and labour resources. However, China's land is either state- (urban) or collectively owned (rural), as defined by the Land Administration Law of China (LAL; Chinese People's Congress, 1998), its affiliated regulations, as well as the recently introduced Property Rights Law (Chinese People's Congress, 2007).² Therefore, in order to accommodate the interests

¹ Such as hospitals, schools, police stations, markets, airports, harbours, roads and highways, open spaces, public parks, and waste treatment sites.

² According to Article 42 of the Property Rights Law, collective land ownership and individual land use rights are recognized as property rights that may receive certain legal protection. However, for the purpose of public interest, expropriation

of these foreign investors without compromising China's socialist character, the central government has adopted various measures to address this issue since the 1980s. For state-owned land, the state separates land use rights from land ownership, which allowed for the conveyance of land use rights to commercial users (Tan et al., 2009); and for collectively owned land, it is to be converted to state-owned land first. Then, local governments, through the land acquisition process, compensate the collective farmers for the land before selling it to developers via the land market (Ding, 2007). It should be worth noting that, unlike the Netherlands and Germany in which private participations in farmland conversions are permitted, the government is the sole buyer in the farmland acquisition market and the sole supplier in the urban primary land market.³ The state (or local governments) pays the collectives a fee which takes three elements into account, namely, (1) compensation for the land (i.e., original land use), (2) resettlement allowance for the displaced peasants, and (3) compensation for lost (unharvested) crops (Lin and Ho, 2005). The total amount of compensation payable to these collectives cannot be higher than 30 times as much as the value of the land's average output over the previous 3 years (Tan et al., 2009).

Realizing the possibility of excessive farmland conversion, the state has introduced a quota system in attempt to keep these activities in check. Under this system, the national government determines a quota for the total amount of nationwide farmland conversion within a planned period (i.e., 5 years), which is to be conformed by local governments (Tan et al., 2009). Nonetheless, there are fundamental issues in the land acquisition process, from the LAL itself to the implementation of the quota system, which have led to problems such as (1) massive conversion of rural land and (2) insufficient compensations and lack of rights among land-lost farmers.

Massive conversion of rural land

Concerning the LAL, Ding (2007) opines that one major problem with this law lies in its obscurely defined conditions under which non-state-owned land could be acquired. Although it is stated in the LAL that only for the purpose of public interests shall land acquisition take place, only state-owned land could be legally used for private development. This insinuates the possibility of land users seeking the acquisition of non-urban land for development regardless of whether such development is to serve public interests. It is believed by some researchers that such ambiguity in the ownership rights of collective rural land is the result of the state's intention to downplay the issue of ex-ownership for the sake of social stability in transitional economies (Ho, 2003; Weiguo, 2005) and to reserve the ultimate control over land for the state (Ho and Spoor, 2006). Besides, according to Ho (2001), the ambiguity in the ownership issues of collective rural land might very well be 'deliberate' on the part of the central leadership to allow for a higher level of flexibility in response to societal developments.

Even though the central government's decision to obscure the ownership issues regarding rural farmland may be understandable given the context, it appears that local governments see such ambiguity as a means of generating profits among themselves both legally and illegally⁴ (Wong and Zhao, 1999; Guo, 2001). To

of collectively owned land and individually owned real property is possible, but requires compensation (see Tan et al., 2009).

³ According to Tan et al. (2009), only in the urban secondary market land is being transacted in a more marketized manner, for instance i.e., transparent land assessment and competition between buyers and sellers.

⁴ According to official sources, nearly a million cases of illegal land occupation and transaction were uncovered between 1995 and 2002, which involve 189,000 ha of rural land (that is, 42% of the land acquired legally through land conveyance

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