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## Research on the Current Situation, Problems and Measures of Rural Land Use Circulation in the Coastal Areas of China

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**Abstract:** On the basis of field research into municipal districts and counties and the analysis of modes and restrictive factors of land circulation in Hangzhou, this report gives highly effective recommendations. The circulation of rural land use is an important approach to deepening rural reforms. In these years, Hangzhou City Government has made continuous innovations of circulation means and scale which has therefore propelled an urban-rural integration.

**Key words:** Land use, circulation, mode, measures

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### INTRODUCTION

The circulation of rural land use, also known as “rural land circulation”, consists in three approaches: Rural land contract management, rural collective construction land and peasants’ homestead (inclusive of houses). With economic reform intensified continually and isolated zone of dual economy contracted gradually, Hangzhou City Government has to make the rural land circulation more effective and has to unceasingly innovate its means and scale in order to forcefully promote the urban-rural integration.

### DIFFERENT MODES AND CHARACTERISTICS OF RURAL LAND CIRCULATION IN HANGZHOU

Hangzhou has seen its economy highly developed because of advantageous position: Being located both at the sea coast and on the back of Shanghai. After several years of bold exploration and creation, local characteristics have been cultivated in the circulation, viz., rural land contract management, rural collective construction land and peasants’ homestead which has also strongly helped to produce three great changes: A concentration of industry in zones, a habitation of peasantry in communities and an operation of agriculture in full scale.

**Circulation mode of collective construction land in Hangzhou:** According to various regional economies, Hangzhou City Government successively originated two modes: two-in-one and one-of-two in the circulation of the collective construction land.

**Two-in-one mode-contracted land for social security, rural homestead for urban apartment, then peasantry’s identity into citizen’s:** A complete urban-rural planning, as an experimental reform is considered to be an important reformation which can break through an urban-rural binary structure barrier in China. “What is land for social security? It is a policy that peasantry, taken a whole family as a unit, voluntarily abandon the contracted land and homestead, the government will compensate them for the loss of land economically according to relevant standard, at the same time, peasantry’s status turns into citizen’s but they shall additionally continue rural cooperative medical care; what’s more, elderly people shall enjoy monthly pension” (Ying *et al.*, 2009). Such kind of tentative reform can standardize a sizeable operation of partial rural land. On the other hand, It can resettle the peasantry in cities. However, a hard problem rises from the reform, it is about how to ensure the landless peasantry for the same living standard as used to be at least and for their long-term livelihood, even steady jobs. To do so, only detailed regulations have to be made by means of social systems and laws.

In order to ensure the landless farmers for their interests, the overall plan of urban-rural integrated development must be carried out. In its main urban areas, together with both its five counties’ (municipal) and key towns’ suburbs which have enjoyed a lower agricultural modernization, Hangzhou City Government has firstly since 1998 tried the two-in-one mode, namely, contracted land for social security, rural homestead for urban apartment, then the peasantry’s identity into citizen’s. A series of policies and measures have been taken one after another to build residential communities by removing villages and transform urban villages into a rural property

ownership, so problems about suburban peasantry' housing and social security can be solved once and for all. Through the municipal overall planning, great success has been quickly gained in the experiment of the two-in-one mode in the main urban areas. In the light of the Hangzhou municipal plans, such a mode will next cover Xiaoshan, Yuhang and other five counties (or municipalities).

**One-of-two mode-either choice between urban apartment exchanged with rural homestead and urban social security exchanged with contracted land:** What is the One-of-two mode? It is either choice made by peasantry between urban apartment exchanged with rural homestead and urban social security exchanged with contracted land but the mode should be implemented step by step. In the first place, the One-of-two mode, taken as a pilot project, lies in the choice-peasantry exchange their rural homestead for urban apartment and shall still enjoy their land management right while both their membership of collective economic organizations and their rural residence identity remain unchanged. After a concentration of peasantry's resettlement in communities, the circulation of contracted land management right shall be encouraged. In this way, old dispersal management of rural farmlands will be turned into so large-scaled a concentrated operation that traditional agriculture can be modernized. Accordingly, the old rural homestead will be reclaimed to be arable fields by way of farmland cultivation for the purpose of utilizing farmland economically and intensively.

In 2009, Hangzhou City Government formally activated the one-of-two mode with the pilot project which covered villages and towns in Hangzhou's five counties (municipalities), Xiaoshan and Yuhang, for these villages and towns enjoyed a lower agricultural modernization, a more dispersal residency and a larger average homestead area; and for they enjoyed a great potential to reclaim and use land intensively, peasantry being willing to abandon their homestead, land use being in accordance with the overall municipal planning and urban apartment construction for the peasantry who lost their farmland being also in agreement with rural town construction planning. A whole exchange was considered as a key means to the mode, namely, it was taken to exchange urban apartments for all the peasantry's rural homestead with a whole village. A sporadic exchange was considered as an auxiliary means taken to do it partially or individually; meanwhile, the resettlement of peasantry from mountains, along with the improvement of rural dilapidated houses, the land reclamation of "hollow" villages and the construction of industry zones had to be

carried out one after the other. When success could be gained in the pilot project, the mode would extend as far as all the towns of Hangzhou City (HangZhou Government Office, 2009).

The success in the one-of-two mode has greatly improved an optimal allocation of land resources. The mode has not only speeded up the process of the agricultural modernization, the brand-new industrialization, the completely new urbanization but also presented a unique new look in a regional rural-urban integration.

**Circulation mode of rural contracted land management in Hangzhou:** In addition to the main urban areas, Yuhang, Xiaoshan, Chun'an, Lin'an, Fuyang and all that are subject to Hangzhou City. Due to economic unbalance and different geographic advantages, these counties have established their own modes to transfer rural contracted land management under the united guidance of the city government.

**Mode-a concentration of land, a lease of land, a share of bonus:** In some towns and villages with lots of township enterprises, like Xiaoshan and Yuhang, there has risen a common problem that industry must struggle for land with agriculture. In order to get this thorny problem resolved, township governments have to adopt the mode that consists of three related items, viz., a concentration of land, a lease of land and a share of bonus. Firstly, an total intensive plan of the most land of the whole village must be worked out, namely, the land of the whole village should be divided into two sections, of which the smaller one is used as grain fields enough for all the families and the larger one should be transformed into industry zones. Then, under the condition that collective land ownership remains unchangeable, the planned land should be leased out, from which villagers can share their rent of land lease as a bonus. For example, Hangzhou Blue Ocean Ecology Co. Ltd. signed a land circulation agreement with three villages: Shanlian, Yueshan and Dujia at Suoqian Township, Xiaoshan District. This agreement covers 1140 acres of land and 1126 families. The company, a comprehensive enterprise, can specialize itself in garden landscape construction, engineering design, landscape conservation, seedling cultivation and sales as well. It has an annual output value of 300 million RMB, its market extending throughout the country, its branches located in seven districts and its nursery stock industry bases of nearly 4,500 acres established in five regions.

**Mode-land cooperative:** In the late 1990s, most peasantry preferred being civilian workers or business persons in

urban towns to being sheer peasants in rural country, so lots of farmland turned out to be deserted, agriculture became weaker and weaker owing to its shortage of backbone labor force.

In order to solve the problems of land abandonment, land cooperatives have been organized one after another under the guidance of village leadership. As far as the operation of these cooperatives is concerned, peasantry must manage them themselves, they have the right to manage their own contracted land changed into long-term equities and have the concrete right to operate their own contacted land entrusted to these cooperatives from which they can get bonus income according to their shareholding. The highest authority of the cooperatives is Shareholders' Committee and Villagers' Congress, both of which are responsible to accept the application for villagers' becoming shareholders and to undertake these items: registration of villagers' pooling of land as shares, approval of villagers' shareholding, issuance and change of villagers' shareholding and payment of land dividend.

Such land cooperatives are a new organization for the rural farmland circulation. They can solve the problems that individual family can't do, or can't do well, or even can't do worthily. Besides, they have changed old extensive land management popularly called "Each family having a little farmland gets both a good harvest of agricultural produce and a bad harvest of economic income", they have improved agricultural facilities, have promoted agricultural efficiency and finally have increased peasantry's income.

**Mode-capitalization of rural land use:** The countryside in Zhejiang spreads along the coasts where there arises a serious problem that large populations of rural residents live on a small amount of arable farmland. The arable land being less than 0.4 mu capita<sup>-1</sup> and being operated individually largely owing to the contracting system of rural land, Hangzhou, as a political, economic and cultural center in Zhejiang Province, has really fallen into a terribly serious plight—a contradiction between more people and less land. In order to solve such a problem, all the local governments under Hangzhou City have started the mode of the land cooperatives and established land circulation service agencies since the first half of 1999, by which dispersed farmland will be concentrated from every family on a large-scale mechanized farming. In 1999, Xiaoshan extended land contract period according to Central, Provincial and Municipal requirements by way of a share holding system in which peasantry should pool on shares the operating right of their contracted land evaluated in terms of money and receive payment on the basis of their shareholding. Yuhang has already set up 36 big or small

specialized land cooperatives who have circulated or transferred a land area of 136,800 mu by subcontract and lease. Fuyang has enhanced agricultural efficiency, increased peasantry's incomes and also safeguarded social stability in rural areas since the establishment of various specialized land cooperatives through the circulation of rural land management. In June 2007, peasantry in Jiuli Village, Zaoyi Town, Lin'an City, spontaneously set up a Specialized Plant Protection Cooperative of Jiuli; peasantry in Hangtou Town southwest of Jiande City built up a Specialized Grain and Oil Cooperative of Juetang, a Specialized Fruit and Vegetable Land Shareholding Cooperative of Hangchuan, a Specialized Vegetable Cooperative of Huangmugang and a Green Agriculture Development Co., Ltd.

### **RESTRICTIONS ON RURAL LAND CIRCULATION IN HANGZHOU**

From the angle of land circulation process, the rural land circulation in Hangzhou runs spontaneously, namely, it goes well for the most part on a lease between lessors and lessees. From the perspective of land circulation means, the rural land circulation in Hangzhou runs randomly, namely, it performs well for the most part only on a gentleman's agreement, not on a formally-signed contract between lessors and lessees. From the viewpoint of land circulation period, it runs in a brief space of time, namely, it moves well largely within five years. From the aspect of land circulation way, it runs variously, namely, it acts well largely in the way of subcontract, lease, transference, exchange and the like, of which the subcontract functions as a key form of land circulation because of its flexibility in operation.

However, there are still at present some elements to restrict the circulation in Hangzhou as follows:

**Governmental actions:** Rural governmental agencies in some townships and villages often take the land circulation as a way to make a big fortune. Driven by their own interests, they brought great loss to peasantry when they forced the circulation of farmland by means of their administrative orders. Specifically speaking, "they partially attached much importance to village collective ownership of the rural land when they overlooked peasantry' contracted land management protected by laws, so they could change or cancel peasantry's land contracts at will. All farmland, from which they retained part of the land as so-called 'flexible field' for their so called village collective's, even individual village cadre's own use, should be distributed to peasantry under the terms of related contracts, so they had deprived peasantry of the

land in a disguised way. They took back the peasantry's contracted farmland and engaged in a policy of 'counter-lease' both through administrative orders and under the name of changing agricultural structure and implementing large-scale rural land operation. They violently carried out the circulation and transference of peasantry's contracted farmland just because of their disdain for some objective reality, their neglect of necessary agreement with peasantry, their assignment of unreasonable working goals and their forcible apportionment of working quotas; they scrambled for their own interests with the peasantry by arbitrarily pocketing a portion of peasantry's income or randomly embezzling peasantry's available land rent, all of which finally resulted in a strained relation between the Party and the masses and between the cadres and the masses" (Ying *et al.*, 2009).

**Lower land marketing:** The land circulation needs a market, popularly called a transacting carrier consisting of a place and a supervising agency. But there have been no specialized land circulation market in many districts at present, so land supply-demand information can't spread out easily. Peasantry had to abandon their farmland because they really couldn't have a land contractor assigned the land to. Peasantry who really hoped to contract the land would have no access to the land due to lack of land transacting information.

This is the plight that lack of modern land intermediary service agencies has brought forth thanks to lower land marketing. Peasantry, owing to their lack of some qualified abilities, can't go through the whole process of the land circulation independently, much less some specialized land circulating techniques, for example, value assessment of land use, signature of land circulation contract and so on. They actually need help from the intermediary service agencies to settle down such technical problems. It was because of fewer service agencies in the land circulation that both of land supply and demand would still run in the dark; and thus, the marketing of the land circulation needs to be further improved (Yang *et al.*, 2009).

**Lack of reasonable land pricing policy:** As a rational participant in economy, whether or not both of land lessor and lessee desire to make a transaction in a land circulation market doesn't depend on governmental will but on weighing up their own benefits between the pros and cons. When land price can benefit peasantry to the maximum from the land circulation market, they will naturally participate in the circulation. And then under the guidance of price, land resources can be allocated

optimally; land value can be extracted out completely. So reasonable and normalized pricing policy is a crucial factor that encourages peasants into land circulation market. In Hangzhou, just because of unreasonable land pricing policy peasants are reluctant to participate in the land circulation (Li and Zhao, 2009).

**Peasantry' reluctance to abandon farmland:** Under the existing collective ownership of rural land in China, land is one of the most important productive factors which carry on direct economic benefits, social security and employment insurance, so peasantry are reluctant to give up the land. At first, the direct economic benefits can be extracted out of land. Land is the most important agricultural productive factor. Peasantry can make net profits either from their own cultivation of arable land or on their land lease. But when the land is expropriated, peasantry have to lose the land use for good because the essential nature of land changes from the collective to the state ownership in which land expropriation fee is just a one-shot compensation for the loss of the direct economic benefits. Secondly, land is social security. In modern society there is a security system inclusive of unemployment insurance, pension insurance, medical insurance and minimum living security and all that. But when such security system can't work perfectly in China's countryside, land plays an indispensable role in the security system. Thirdly, land is employment security. When peasants cultivate the land, their labor, as well as their other productive materials, will bring forth certain profits. That is to say, their labor brings them corresponding income from the viewpoint of income allocation system (Li and Zhao, 2009). For this reason, peasantry who cultivate their land employ themselves in effect, *viz.*, once peasantry have their own land by law, they are in the state of employment and again, land is peasantry's employment security.

It quite really concerns peasantry that their rights can't be safeguarded after the circulation of their land use, they must treasure their own land so emotionally that they aren't willing to have their land circulated. Just because land carries on many practical values, many of peasantry has to see land as the source of life. They would rather cultivate or manage the land extensively than have it transferred profitably.

## DISCUSSION

According to the spirit of the working conference of Hangzhou Municipal Party Committee about the overall planning of rural-urban integration and the working arrangements, the overall planning and construction of

the rural-urban integration will be certainly speeded up as a central task at the coming stage. The smooth progress made in the rural land circulation is a key factor to advance the rural-urban integration and finish the construction of a new countryside. Thus, this paper, for the purpose of promoting a quicker circulation of rural land use, will make several suggestions as follows.

**Orderly land circulation:** The ideology of “the Whole of Hangzhou” should be cultivated widely as a single board of chess, so the planning and guidance of the land circulation should also be enforced in depth. In the overall planning process of rural-urban integration, governments of all levels should focus on county towns and conditional regional pivotal towns, effectively prompting main urban towns to play radiating, merging, leading roles in large suburbs and major towns in wide rural areas, positively promoting new urbanization as a leading role in developing Hangzhou City, county (municipal) towns, major towns both larger inscale and stronger in strength so as to realize the goals of “Developed city helping rural countries and powerful industry supporting agriculture”.

The philosophy of rural management should be "cultivated widely, taking the improvement of villages, rural residences and arable land as a starting point. In five counties (municipal towns) the Three Exchanges, viz., contracted land management for urban social security, rural homestead for urban apartment and collective ownership for land cooperative equities, should be implemented; the Three Concentrations, viz., industry into zones, residency into communities and agricultural dispersing management into large-scale modernized grouping operation, should be carried on; the Three Changes, viz., urban-rural developing means, regional growing approaches, peasantry's lifestyle, should be made true in the course of urban-rural integration, all in actively researching ways" (Hangzhou Government, 2010).

Taking the fundamental changes in the ways of peasantry's production, livelihood and residence as starting and ending points, relevant policies must be formulated and improved in order to break through the dual institutional policy barriers and finally peasantry can enjoy the same national treatment and living conditions as urban residents.

**Clear property ownership:** The property right subject to the collective ownership of rural land must be cleared in depth and "the relevant real right subject to the collective ownership of rural land must be protected in total" (Yang, 2005). Namely, the nature of the collective ownership of rural land can't change at all because this is an

unbreakable red line drawn for the rural land circulation. However, the confirmation, registration and certification of the collective ownership of rural land have lagged behind since the beginning of the household contract responsibility system. Hangzhou City Government can introduce more specific policies on the registration of property right according to some relevant laws, namely "Rural Land Contract Law", "Land Management Law" and "Property Law" and complete the registration work to a deadline. If the clear property ownership subject to the collective ownership of rural land isn't strengthened, the collective ownership of rural land can't be protected easily. The rapid circulation of farmland use in foreign developed countries depends on a fundamental reason that there is a clear boundary of the property ownership of rural land. Farmland in the United States is farmer's private property. The clear boundary of the property ownership is very confirmative whether purchased or granted. Although, British land is owned by the state, about 90% of the land is privately-held, landholders are in full possession of the land interests, namely permanent land use and thus the ownership makes it possible for the landholders to successfully circulate their land use, even realize the large-scale land modernized operation. Russia established the private ownership of land in the light of the Russian Federation Land Code and finally built up the land circulation system according to the Russian Federation Rural Land Circulation. Therefore, during the legal process of making a specific policy, the confirmative programs of the collective ownership of rural land, together with the legal means for villagers to exercise their rights, the legal procedures to expropriate rural collective land and the land information publication must be stipulated explicitly.

**Rural land circulating market:** Great efforts should be made to establish and improve the transaction market of rural land ownership and build up a fair trading system of land ownership circulation. As one of the most important resources, rural land can developed into optimized allocation and maximized efficiency of rural land resources when the market can play a fluent regulating role in the land circulation. If administrative agencies can play a leading role in the circulation, the efficiency of the land resource allocation will turn out to be very inefficient, in which various corrupt practices must arise at the same time. Therefore, much attention must be paid to market factors that can function as a dominating role in the circulation of rural land ownership. Both the establishment of a rural land circulating platform and the improvement of rural land ownership circulation have proved to be absolutely urgent, inevitable reform task.

"Firstly, it is a must to build a land circulation center in each of towns. In the early period of the rural land circulation, such a center will function as a planner of rural land circulation, a collector and provider of land supply-demand information, a confirmer of circutable land pricing, a transactor and registrar of land circulation and so forth. Secondly, it is a must to establish some intermediary service agencies. Quite different from other ordinary commodity trading, there are many operational steps concerned in the land circulation. Violating a contract, dispute between two parties must be solved reasonably. Therefore, all kinds of intermediary service agencies, involved in the consultation of land circulation, the assessment of land property, the land insurance and the land trust, should be built up so as to better meet the demand of market-oriented economy and propel the land circulation most effectively, publicly and fairly. Thirdly, the land circulation should be encouraged to change into stock swap" (Tian, 2004). Different from ordinary commodities, the nature of contracted land property always remains steadfast and unshiftable and the rural land circulation must be imposed limitations on scale and efficiency. Thus, to innovate the means of such land circulation has turned out to be a must. Take for example the ways some developed countries such as the USA, Japan and all that have taken to cope with their land circulation. In order to increase the efficiency at the land allocation, the land circulation should necessarily be changed into stock swap, in which warrants system of contracted land management must be established. Finally, fair distribution doctrine must be carried on. In order to realize social fairness and justice successfully, to build up a effectively law-ruled government and to bring peasantry proper income from equal land right completely, a fair normal system of land use circulation must be set up by effective system design.

**Right principle of land circulation:** "Three principles should be held on in the land circulation. Firstly, it is the principle that peasantry volunteer to circulate their land. Whether and how the land is circulated must depend on peasantry's own decision. Local governments and village collective agencies cannot force peasantry to transfer their land or prevent them from transferring their land. During the period of land contact, two-level rural agencies, viz., township and village, cannot terminate the contact unilaterally by any excuse, cannot force peasantry to give up their contracted land right or change contract agreements by the way that the minority is subject to the majority, either. And much less, the agencies cannot take back the peasantry's contracted land in order to carry out a policy of "counter-lease". Secondly, it is the principle

that the land circulation must be a paid land transference. Land is peasantry's main security. Relevant departments must reasonably price the peasantry's land when circulated. And thirdly, it is the principle that the land circulation must be legal. Land is the lifeline of agriculture. After the circulation, both the nature of land ownership and the agricultural use of land cannot be changed. The circulating period shall be within the rest of land contract period. And land transferee must be qualified for agriculture management" (Ying *et al.*, 2009).

Therefore, in order to ensure that the land circulation goes normatively, three aspects of management work should be carried out: "The first is to strengthen the management of land circulating procedures, the second is to strengthen the management of land contracts and the third is to strengthen the management of contract files of the land circulation. The contract files are original written bases of the land circulation, they must be safeguarded properly" (Huang and Wang, 2008).

**Improvement of homestead circulation means:** With the rapid urbanization in China, the shortage of construction land becomes more and more serious. How can the construction land be ensured? How can rural arable land be conserved at the same time? To mitigate such a contradiction, the Ministry of Land and Resources in the past few years has been at the implementation of the pilot reform which balances between an increase and a decrease in the rural-urban construction land, encouraging peasantry to exchange their homestead for urban apartments. In the first half of this year, the Ministry of Land and Resource paid special attention to another exchange mode—a blank run of homestead quota, namely homestead quota for urban apartment in Tanghai County and began to further the implementation of the pilot reform which balances between an increase and a decrease in the rural-urban construction land. According to the different economic situations, each county (municipality) in Hangzhou can directionally and concurrently carry out both of the exchange modes, viz., homestead for urban apartment and a blank run of homestead quota so as to perfect the circulation of peasantry's homestead. Peasantry can exchange their existing homestead taken as a "land ticket" for urban apartments. Besides, they can exchange their homestead quota also taken as a "land ticket" for urban apartments. As a pilot reform, this is called the blank run of homestead quota.

However, there are some problems about the blank run of homestead quota, very difficult for certain policies to break through. Thus, it is quite necessary for Hangzhou's local governments of all levels to more

positively communicate and exchange their ideas with national land management departments; they should take some indispensable measures to avoid the problems in the implementation of the blank run of homestead quota.

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