



## China's Land Reforms and the Logic of Capital Accumulation

Farmer and buffalo in a rural village in Hubei Province. PC: Tauno Tohk.

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*In this essay, Jane Hayward briefly examines how rural land reforms in China are being driven by the imperative of capital accumulation. She looks at how policies of agricultural land transfer, new rural community construction, and the urban-rural land linking system, are all too often driven by the urban real estate industry in league with local governments and agribusinesses, rather than by villagers themselves.*

China's integration into the world market, and its ever-tightening embrace of the logic of capital, is manifested in the ongoing mass reorganisation of land—both urban and rural—to create spaces for capital accumulation. This short essay will discuss how these processes are taking place in three ways: through agricultural land transfers, new rural community construction, and the urban-rural land linking system. Since the late 1950s, China's urban-rural relations have been organised on the basis of the household registration system, or *hukou*, under which Chinese people are allocated either a rural or an urban registration permit. Mobility between the countryside and cities has been restricted, and urban and rural land is

governed under different systems. Urban land is state-owned, and its use rights can be sold on the market. Agricultural land is collective, and cannot be sold. Access to public services, including healthcare and social security, has been determined by the *hukou*. Those living in the cities have enjoyed far better facilities, while those in the countryside have had to rely on their collective land rights as a form of guaranteed livelihood. This system, originally intended to preserve resources in the cities for urban industrialisation, institutionalised an unequal urban-rural relationship under which living conditions were, and continue to be, harsher for China's peasantry.

## **The Hukou Under Market Reforms**

Following the start of market reforms in 1978, agricultural land was reorganised from the large communes of the Mao period to what was known as the household responsibility system. Ownership remained collective while the management rights to plots of land were contracted out to village households for production. Special Economic Zones were set up in China's eastern and southern coastal cities which attracted large amounts of foreign investment. The *hukou* system slackened as local governments turned a blind eye to peasants flooding into these areas in their millions, providing cheap labour for the export industry. Rural-urban migration accelerated further after the mid-1990s following fiscal reforms which stemmed the flow of money from the central government to the rural localities, redirecting it instead into urban industrial projects. Rural cadres were compelled to replenish their coffers by squeezing peasant households with extra taxes and fees, and also by expropriating plots of collective farmland to lease to developers in lucrative but often illegal deals. As a result, living conditions for China's peasantry deteriorated sharply. More and more people were forced to seek low-paid work in

the cities. Once there, due to the *hukou* system, they were discriminated against as second-class citizens and denied access to many basic facilities.

By 2002, China's countryside was in a state of emergency marked by impoverished households, corrupt local governments, and lack of investment in infrastructure. Large swathes of farmland risked the double jeopardy of abandonment by migrating villagers and illegal requisitions. China's entry into the World Trade Organisation in 2001, which would see agriculture exposed to world market competition, threatened to make matters worse. In order to address this crisis, a new set of policy guidelines was introduced under the slogan 'combined urban-rural planning' (*chengxiang tongchou*). This called for a complete renegotiation of the hierarchy between city and countryside, and the even distribution of the fruits of China's reforms across both urban and rural areas. Broadly speaking, the overhauling and modernisation of the countryside was to be achieved by the inward flow of capital investment, and the outward movement of people into towns and cities. This was intended to equalise the urban-rural wealth gap—the urban areas which had benefitted up until now would 'pay back' the countryside, while former peasants would be able to enjoy the benefits of urbanisation and modern life.

## **Agricultural Land Transfers**

Meanwhile, Chinese policymakers fiercely debated how to reorganise agricultural land. A strong cohort resisted calls to privatise it outright on the basis that individual peasant households with little bargaining power in the face of largescale corporations would too easily be separated from their property rights, leading to widespread landlessness and extreme poverty, as had already occurred in many other parts of the world (Hayward



Construction work in a rural village in Hubei, PC: Tauno Tohk.

2017, 528–31). Instead, at the key meeting of the Third Plenary Session of the Seventeenth Central Committee in October 2008, China's leaders formally recognised the practice of land transfers (*tudi liuzhuan*). This meant that land remaining nominally under collective village ownership, and under contract to peasant households, could be 'transferred' (leased out) to third parties. These measures in effect divided the dual land rights of the household responsibility system into three—ownership, contract, and management rights—a system which has come to be known as the 'separation of three rights' (*san quan fen zhi*).

This shrewd innovation seeks to scale up the scattered household land plots by consolidating them in the hands of a smaller number of highly skilled, professionalised farming entities—usually large farm households or agribusinesses. The result is a quasi-land market, albeit one that functions under restricted conditions. While this brings more capital into the countryside, it amounts to the manipulation of the institution of collective property such that peasant land entitlements

can more easily be exploited in the interests of capital accumulation. The rental fee paid to peasant households may be more than they would make by working the land themselves, but it is not high, and studies have reported on the coercive tactics which may be used to get unwilling villagers to transfer their land (Gong and Zhang 2017).

## New Rural Community Construction

Meanwhile, rural villages are being reorganised under programmes of 'new rural community construction' (*xinxing nongcun shequ jianshe*). The goal is to 'civilise' villages by subjecting them to modern urban planning practices (Bray 2013, 54). Under this programme, village layouts are landscaped and reorganised on the basis of 'three concentrations': segregated zones of scaled-up agricultural land, consolidated industrial areas, and dense housing settlements (Bray 2013,

55–56). This means that, with a view to organising the village in a more ‘rational’ way, traditional houses scattered around the village are demolished and villagers are relocated into high-rise tower blocks, freeing up village land for agricultural or industrial use to attract outside investment. These ‘community construction’ projects are expensive and, since local governments are already short of funds, financing them is not easy. Local officials may demand that peasant households, many already struggling on low incomes, pay for the projects themselves, driving them into debt. Alternatively, funding may come from corporate donors, with the donor then securing the management rights to the freed-up land. Surveys have shown that such deals are often made by corporations in league with local governments, bypassing village participation and against the wishes of householders. Once in the tower blocks, villagers have access to modern facilities such as water, sanitation, gas, electricity, and Internet access. However, with the associated fees and the low income from the land which is now leased out, many villagers find that their net expenditures have risen, rather than fallen (Rosenberg 2013; Cui and Sun 2014).

## Urban–Rural Land Linking System

Both of these institutional transformations are closely bound up with a third: the urban–rural land linking system, or ‘linking system’ (*guagou*) for short. This hinges on China’s shortage of agricultural land. Despite the country’s vast land area, a relatively small amount of it is suitable for agricultural cultivation. The central government has decreed it should not fall below a minimum level of approximately 1.8 billion *mu* (1 *mu* is about 0.16 acres). Due to China’s extraordinary rate of urban expansion, by 2005 China’s agricultural land had fallen almost to this level already. This means that no more agricultural

land can be used for urban development, unless a corresponding plot elsewhere of equal size is brought *back* under cultivation—for example, land which was previously fallow or had been built over. Any such *new* plots can be ‘swapped’—added to a regional system of land quotas and auctioned to urban developers, allowing them to build on a plot of agricultural land elsewhere—generally in a more lucrative location on the borders of a city or township.

This ingenious system is designed to facilitate urban development without reducing the national agricultural land area, while enabling villagers to benefit financially from urban development elsewhere (Cui 2011). Yet, as a number of surveys have indicated, the system incentivises the widespread exploitation of rural assets in the interests of both urban and agrarian capital. While peasants continue to have little bargaining power in the exchanges, many cases have been reported of peasants losing their homes against their will, and for little or sometimes no compensation. Meanwhile, local officials have every incentive to auction land areas exceeding their assigned quota to gain extra funds (Chen and Ma 2012).

## Alliances and Accumulation

While many of these changes appear to be geared towards the modernisation of the countryside and the improvement of peasant livelihoods, the overriding logic governing these processes, all too often, is that of capital accumulation. What is crucial is how the land linking system ties transformations in the countryside to processes of urbanisation in and around townships and cities. Thus, these rural transformations are themselves being driven largely by the urban real estate industry, in alliance with agribusiness and local governments in need of land revenue. These work together to shift peasants off their land, out of the villages, and into cities, while they may have little say in the matter (Zhan 2017). ■

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