

China: Construction of a new socialist countryside

by Uwe Hoering, November 2008

The timing has been perfect: In the middle of October, the Central Committee of the Communist Party of China approved a reform proposal that will allow farmers to lease or transfer their land rights. Called a „historic“ decision by some observers, the Chinese government announced it as China's contribution to counter the financial crisis and to stabilise the global system by giving a fresh stimulus to economic growth. But the more important driving forces for it are the growing rural-urban inequalities, the widespread protests by farmers about alienation of land by officials and the need to modernise Chinese agriculture.

Possibly, the global financial crisis put pressure on the party leaders to announce the decision right now. But the debate about rural reforms has been a long – and controversial – process. May be more important for the announcement was a historic anniversary: 30 years ago, another major act of rural reforms marked China's first step towards economic liberalisation. Back in 1978 the then party chairman Deng Xiaoping decreed that the village communes should assign small plots of land to each household, which was then allowed to choose what crops to plant and to sell it in the market. Today nearly all agricultural products are traded privately. This „household contract responsibility system“ unleashed farming productivity and dramatically increased farm incomes. From 1978 to 1984 farmers' incomes rose 15 percent a year.

The need to modernise

Chinese economists and politicians hope that the recent reform will do the trick again. It is estimated that still around 700 million people or half the population are depending to some extent on farming, often just subsistence agriculture. Since 1984 with the shift towards industrialisation and export-led growth, rural areas have been neglected. Conversion of land to build factories, shopping malls and apartment buildings, often through illegal land seizures by officials, have caused a reduction in arable land, reducing the already small plots to less than half a hectare on average. After the initial productivity increases in the 1980, agricultural production of basic food crops stagnated. Growing imports, mainly of grains and cereals, soybeans and edible oil, threaten the concept of food security expressed in the aim, not to import more than five percent of the necessary food. The recent speculative price rise underlined impressively the dangers of an over-dependence on the volatile world market.

Furthermore, the overall economic growth slipped during 2008 to one-digit rates while inflation rates went up. Since continuous and high economic growth combined with rising living standards is considered to be one of the basic planks for the legitimacy of the rule of the Communist Party, economic slowdown is accompanied by fears of political instability .

The new land rights reform stopped short of an outright privatisation of land introducing private property. It does not change the basic principle of land ownership which remains with the state and the village collectives. Also, it does not permit the change in use, trying to defend the existing arable land against further take over by speculation, urbanisation and industries. But it will allow farmers to subcontract, lease, exchange and swap their right to use the land, for which markets will be set up.

Chinese economists as well as proponents from the World Bank and other international funding agencies expect, that the reform will encourage the consolidation of the tiny plots of land leased to farmers by collectives, and the creation of larger and more efficient farms. Modernisation of agriculture is supposed to pay off in agricultural growth and higher rural incomes, which decreased especially after the WTO accession in 2001.

„New socialist countryside“

The land rights reform is part of a whole package for the development of the rural economy and living conditions. Already in February 2006 China announced details of a plan for the „construction of a new socialist countryside“, taken up in the 11th Five-Year-Plan (2006-2010). The central government intends to restructure villages to boost agricultural production, improve sanitation and create „democratic“ management („participatory democracy“). One of the measures was the reduction of the extensive system of taxes, fees and dues, often introduced arbitrarily by local officials. Recently, Beijing announced a rise in the set price the state pays for various grains for the national stock pile and an increase in subsidies for fertilizer and farm equipment. More investments in infrastructure like irrigation and drinking water are on the agenda as well as improvements in health and education.

The state hopes, that these policies will help to reduce the growing urban-rural income gap, which expanded in 2007 to a ratio of 3.33:1, the widest gap since the reform policy was adopted in 1978. Till 2020 the average rural income of currently around US\$ 590 per person a year shall be doubled. Further it is hoped that the move will help to expand domestic demand and increase supply of agricultural products to curb inflation. This could help to ease the impacts of the present crisis and the recession in important export markets.

Finally, the reform is also the answer to the numerous protests by farmers about requisition of land by officials without providing adequate compensation and using it for speculation and often dubious development projects. The reform should give better tenure security like a secured lease period of 30 years and open up ways that farmers can benefit from rising land prices by leasing out their plots when migrating to the cities for example. But it is doubtful whether this will be enough to stop local officials from shady land deals because village committees, mainly controlled by party appointees, will retain considerable say over any land allocation and rights transfers.

Furthermore, some critics even from within the party warn that the move could deprive peasants of the security of having a piece of land and lure them into giving up their rights cheaply, thus leading to millions of landless labourers. Till now the assurance of a plot of land is for many temporary migrant workers a security to fall back upon if low wages, harsh labour conditions or lay offs in industries make them return to the countryside. Year after year, a high proportion of workers do not report back for work after their New Year holidays, during which they normally visit their home villages and families. The often reported shortage of workers in the coastal regions and in some industries therefore might have been another, less articulated driving force for the reforms, promoting the separation of the workers from their land and turning them into „free“ labourers.