

Land Policy Issues in China



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As the world's most populous country and its third largest economy, China and its rapid urbanization and development will represent one of the defining trends of the twenty-first century. Over the past 30 years, China has made remarkable economic and social progress, lifting hundreds of millions out of poverty and catapulting China onto the international stage.

This economic transformation has also involved an institutional transformation as China's centrally planned economy has moved pragmatically to a broad reliance on market mechanisms. This movement has been especially challenging in the case of land, which for decades was owned by the state or peasant collectives. Progress has been made in urban areas, where the leasehold term of land ownership is now normally 70 years, but in rural areas collective land ownership continues.

Despite its noteworthy accomplishments, China is facing critical land policy issues that will determine the direction of its future economic development and urbanization.

- **Property rights.** The rapid growth of cities has led to government transfers of rural land to urban and industrial uses. Inadequate compensation to farmers whose property rights have been poorly defined has fueled growing civil unrest, while urban leaseholders seek to strengthen their new property rights.
- **Property tax implementation.** Recent tax reform has reduced local government revenues and prompted local officials to rely on land sales receipts, fees, and off-budget revenues to finance government expenditures. China's government is seeking to implement a property tax as a local revenue source to take advantage of the rapid growth of real estate markets.

- **Farmland preservation.** The large amount of land removed from agricultural production by the complex forces of urbanization has exacerbated concerns about farmland preservation, especially related to food security.
- **Urban planning and development.** Rapid urbanization has also resulted in increased urban poverty, housing affordability problems, inequality between urban and rural population groups, regional disparities, and other social and economic challenges. China's urban planning practices are in need of reform to better reflect market forces and economic behavior.
- **Environmental sustainability.** China's economic and demographic changes over the past 30 years have been associated with severe environmental degradation. With rapid urbanization forecast over the next decade, there is growing consensus that China must find a more sustainable development model. More sustainable cities are integral to any low-carbon development trajectory.

With these diverse issues in mind, the Lincoln Institute of Land Policy's China Program was inaugurated in 2003 and continues to focus on improving the quality of public debate and decisions concerning land policy and urban development in China through sound research and the leveraging of international experience and expertise.

The China Program has grown considerably in capacity, scope, and geographic footprint, highlighted by the establishment of the joint Peking University–Lincoln Institute Center for Urban Development and Land Policy in October 2007. The Center's mission is to study land, urban, and fiscal policies and to facilitate education, training, policy analysis, and research. Having this joint facility in Beijing provides the China Program with an ongoing domestic presence that expands the Institute's networks and resources and brings together government officials, practitioners, and foreign and domestic scholars to engage in dialogue and to share experiences to promote a better understanding of land policy, urbanization, and property taxation in China and around the world.

The China Program has identified six key research areas that are highly relevant to China's future development and also offer the best opportunities to utilize the Lincoln Institute's expertise and resources.

Adoption of a Property Tax

China's 11th Five-Year Plan (2006–2010) elevated the issue of a property tax onto the official agenda, and pilot property tax projects are currently under way in more than 10 provinces. However, the issue's sensitive political nature, lingering technical difficulties concerning data and valuation, and continued debate about the exact form of any proposed property tax have slowed implementation and made it unlikely that a broader property tax and related tax policy reforms will be implemented before the 12th Five-Year Plan begins in 2011.

Through close working relationships with the State Administration of Taxation (SAT), the Ministry of Finance (MOF), and the Development Research Center for the State Council (DRC), the China Program has offered a number of educational programs and provided significant intellectual and capacity building support for China's adoption of a property tax.

For example, in October 2009 representatives of the British Columbia Assessment Office, the Altus Group, and ESRI Canada led a China Program training workshop on property tax implementation and design of computer-assisted mass appraisal (CAMA) systems. More than 50 SAT officials participated, including representatives from each of the property tax pilot cities.

Delegates from the SAT and the Lincoln Institute attended a three-day conference on valuation and mass appraisal at the University of Pretoria, South Africa, in March 2009, before traveling to Johannesburg's valuation office to discuss the challenges of implementing a property tax in that country.

In November 2008, training on technical aspects of property valuation was provided in Beijing by property tax experts from Canada, the United States, South Africa, and Hong Kong for more than 40 administrators and assessors from China's property tax pilot cities.

Local Public Finance

Fiscal policy reform is a key component in addressing many of the social and economic problems China faces. Restructuring the current tax system and promoting balanced tax and expenditure responsibilities at the local government level is one of the main policy objectives of the Chinese government. The underlying efforts are closely related to the future development of any property tax, a



Gregory K. Ingram, President and CEO of the Lincoln Institute, and Jianhua Lin, Executive Vice President and Provost of Peking University, sign the agreement to establish the joint center in Beijing.

necessary and critical solution to local public finance challenges.

The China Program is focused on issues of fiscal decentralization, public service financing, land-related taxes and fees, regional inequity, inter-governmental finance, and the role of property taxation in a modern public sector finance system. Representative activities have included a January 2009 workshop in Beijing on fiscal policy and economic growth in China with leading fiscal policy scholars and experts, including officials from the MOF, DRC, and SAT.

An international conference held at the Lincoln Institute's headquarters in Cambridge, Massachusetts in May 2008 focused on local public finance and property taxation. Those proceedings will be edited and published in a Lincoln Institute book in 2010, and the volume will be translated and published in China as well.

Land Policy and Land Management

The revision of China's Land Management Law has been a sensitive issue over the past several years, as the country struggles to define rural land rights, land expropriation, and the public good. With a new land law revision on the horizon, land-related issues remain at the forefront of China's

policy agenda, particularly issues concerning urban and rural property rights, land expropriation, land use efficiency, land use planning, land conservation, and urban expansion and sprawl.

In June 2009 the China Program co-organized a roundtable discussion on the most recent draft revision of China's Land Management Law with the Land Law Committee of the China Land Science Society in association with the Ministry of Land and Resources (MLR). Experts and prominent scholars from across the political spectrum engaged in direct dialogue and discussion with government officials at MLR who are working on the revision.

The China Program is now compiling and translating several land management laws from a dozen developing and developed countries for use by Chinese officials and scholars. The Program also cosponsored a comprehensive survey of land use and farmland conservation issues in a dozen provinces in China, and is building a database for future research on land management issues.

Urban Planning and Development

Rapid urbanization has led to the explosive growth of Chinese cities and their populations, presenting an enormous challenge in terms of city planning,

infrastructure, and transportation. New approaches to urban planning are fundamental to the development and management of cities, as well as a prerequisite to ensuring the efficient use of land and integrated development in China. Efforts also must be made to use land sensibly and to coordinate the spatial layout of urban areas, thereby avoiding rampant and uncontrolled urbanization.

The China Program cooperated with the Chinese Society for Urban Studies and the Urban Planning Society of China, affiliated with the Ministry of Housing and Urban-Rural Development, in organizing the July 2009 International Forum on Urban Development and Planning, which featured the theme “Harmony and Ecology: Sustainable Cities.”

In cooperation with the Lincoln Institute’s Department of Planning and Urban Form, more than 20 international speakers attended a symposium on megaregions and spatial planning practice worldwide, held in Beijing in October 2008.

Affordable Housing

Housing policy, and in particular affordable housing, is becoming an important focus for China’s policy makers during this period of rapid urbanization. With upwards of 15 million new urban residents expected annually over the next decade, the growth in the supply of affordable housing is an immediate concern. In addition to a one-year joint policy research project with the DRC, the China Program is conducting original research in the field of housing policy and introducing international experience to China’s policy makers and the academic community.

For example, in July 2009 the China Program organized a symposium on low-income housing policy in China to provide a platform for international and domestic scholars and government officials from DRC, the Ministry of Housing and Urban-Rural Development, and the People’s Bank of China to engage in dialogue and discussion. Papers from the symposium will be published in an edited volume for distribution in China.

The China Program also hosted an international conference entitled *Housing Policy and Housing Markets in China* in Cambridge, Massachusetts, in May 2009, and is preparing an edited conference volume for publication in both English and Chinese.

Environmental Challenges

With international attention focusing on recent climate negotiations in Copenhagen, there is a pressing need for timely research on low-carbon development and the complex linkages between land, transportation, and urban and environmental policies in China and globally. The China Program is leading research on environmental taxation in China from a global perspective and developing a database of environmental tax statistics.

The Program organized a roundtable on green cities at Peking University in September 2009, which drew strong interest from domestic and international academics and signaled the need for further study of environmental policy issues in the future. And in May 2008, the Program, joined by Loeb Fellows from the Harvard University Graduate School of Design and Chinese policy makers and academics, held a roundtable discussion at Peking University that addressed urban transformation and sustainability.

Building Capacity to Address the Issues

Since its inception the China Program has been committed to enhancing the capacity of both current policy makers and academics and researchers whose analysis and opinions will influence China’s future policies and reforms. This educational emphasis continues with the establishment of the Peking University–Lincoln Institute Center, which has become an important platform for reaching and engaging students and scholars at Peking University and other academic institutions through training programs, fellowships, lecture series, online education, and research publications.

Training the Trainers

This annual program aims to enhance the capacity and awareness of scholars throughout China regarding urban economics, planning, public finance, and related land policy issues. The courses target university faculty and professional researchers, as well as select government officials, with the goal to increase competence through intensive professional seminars on issues related to land policy in China. More than 70 participants on average attend each two-week training program. Leading experts in their fields from around the world offer the participants an invaluable international perspective. The China Program’s recently launched online education platform seeks to build on



previous training programs and to move progressively toward more specialized trainings.

Fellowships

The China Program awards several types of fellowships to international and Chinese scholars and graduate students working on Chinese land and urban policy. Two or three international fellowships are awarded annually to leading scholars and professional researchers based at universities around the globe. In addition to producing important research on issues ranging from the spatial structure of megacities to household carbon emissions in Chinese cities, the international fellowship is an invaluable tool to increase scholarly dialogue between China and the world. These fellows are an integral component of the China Program's other activities, such as teaching at Training the

Trainers programs, reviewing other fellowship proposals, and speaking at seminars.

Fellowships for Chinese graduate students and junior researchers are administered through the Peking University–Lincoln Institute Center to bring young scholars into Chinese land and urban policy studies. Approximately 15 dissertation fellowships are awarded to aspiring scholars annually, while an additional 6 or 8 research fellowships help strengthen the capacity of scholars based in China's leading institutions.

The China Program's in-country presence at the Peking University–Lincoln Institute Center also facilitates interactions among the fellows, including the provision of constructive feedback on their ongoing research. All fellows are invited to Beijing for a mid-term progress report, where they share their initial research findings with peers and a panel of international experts. This event has proven to be an effective way to help domestic junior scholars and graduate students build research skills and promote studies of urban and land issues in China.

Speaker Series

The China Program also regularly invites distinguished individuals drawn from the Lincoln Institute's network of leading scholars and policy makers to speak to the Beijing scholarly community on vital topics ranging from planning support systems to fiscal federalism and decentralization in the United States. This speaker series helps meet the demand for knowledge about international development and urbanization experiences and how these cases can be adapted to fit China's needs.

Online Education

The Lincoln Institute has long history of employing online education as a tool to reach a broader audience and maximize its resources. Given the vast geographic distances in China and its emphasis on training and capacity building, the China Program has similarly been interested in online education for some time. The establishment of the Peking University–Lincoln Institute Center has accelerated the process of making information, analysis, and data available online, and widened the network of collaborators interested in tapping into the Institute's expertise.

Through the Center, the China Program engaged a local online education company to develop a China-centric platform, which was inaugurated in the summer of 2009 during the China Program's Training the Trainers session on urban economics and planning. The two-week program was recorded and translated into Chinese, and is accompanied online by Chinese transcripts of lectures and associated PowerPoint presentations and other materials.

The value of the online platform has become apparent almost immediately. During the fall 2009 program and demonstration on property taxation and CAMA, which was also recorded for later conversion to the online platform, attending SAT officials expressed their eagerness to use the platform to demonstrate the concepts to their colleagues and superiors.

Publications and Web-based Resources

As the China Program has increased its research capacity and professional support with the establishment of the Peking University–Lincoln Institute Center, it is producing a steadily increasing series of working papers, books, and training materials that are extending the Lincoln Institute's and the China Program's expertise on and influence in China. During 2008 and 2009, nine books were published or made ready for print, and eight other books are at various stages of development. The China Program and the Center's fellows and visiting fellows have also produced about 40 working papers and a number of focused reports and policy briefs, which will soon be available online.

Complementing all of these activities is the Peking University–Lincoln Institute Center's revamped Web site. It provides a window into the China Program's mission and vision, and is an important link between the Lincoln Institute's and the China Program's dual educational and research objectives. Drawing together Chinese and English working papers, training and education materials, and conference proceedings from both the Lincoln Institute and the Peking University–Lincoln Institute Center, the Web site is a rich repository of impartial knowledge and an expanding platform for scholarly dialogue concerning the ascendant land, urban, and environmental policy issues in China.

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▶ RECENT CHINA PROGRAM PUBLICATIONS

Books

Local Public Finance and the Property Tax, edited by Joyce Yanyun Man and Yu-Hung Hong. Forthcoming in 2010

Housing Policy and Housing Markets in China, edited by Joyce Yanyun Man. Forthcoming in 2010

Smart Urban Growth for China, edited by Yan Song and Chengri Ding
2009/\$30.00/296 pages/Paper/ISBN 978-1-55844-183-5

Urbanization in China: Critical Issues in an Era of Rapid Growth, edited by Yan Song and Chengri Ding
2007/\$30.00/320 pages/Paper/ISBN 978-1-55844-175-0

Working Papers and Land Lines Articles

(available for free downloading on the Lincoln Institute Web site:
www.lincolninst.edu)

Assessment on Planning Institutional Arrangement for Better Managing Urban Growth in China, by Chengri Ding, Yan Song, Yang Zhang, Wu Cifang, Gerrit Knaap, and Terry Moore
Working Paper, June 2009

Beijing and Shanghai: Places of Change and Contradiction, by Christine Saum
Land Lines, October 2008

Housing Inequality in Chinese Cities: How Important is Hukou?, by Mark Duda and Bingqin Li
Land Lines, January 2008

Local Officials as Land Developers: Urban Land Expansion in China, by Eric L. Lichtenberg and Chengri Ding
Working Paper, January 2008

Low-Cost Urban Housing Markets: Serving the Needs of Low-Wage, Rural-Urban Migrants?, by Bingqin Li, Mark Duda, and Huamin Peng
Working Paper, November 2007

Housing Rural Migrants in China's Urbanizing Villages, by Yan Song
Land Lines, July 2007

For publications available in Chinese, refer to the Peking University–Lincoln Institute Center's Web site at www.plc.pku.edu.cn

In 2010, the China Program will continue to strengthen its online resources to synthesize and disseminate its recent research to a broader audience of Chinese scholars and policy makers through new publications and focused policy reports, while also striving to advance academic debate through research, demonstration projects, conferences and other activities. 