

Despite progress, land rights laws must be strengthened to further protect Chinese farmers, write Roy Prosterman and Gao Yu

Country strife

Between 1981 and 2005, the mainland experienced the biggest reduction in poverty seen anywhere on the planet in the past 100 years, as the proportion of those living on under US\$1.25 a day plummeted from 84 per cent to 16 per cent. The great bulk of this occurred in the countryside, where 52 per cent of China's population live even today.

Most of this massive decline in poverty was traceable to farmers' transformed relationship to the land, as collective farming was replaced in the early 1980s by individual family farms.

In our fieldwork starting in 1987, we found that the huge poverty-fighting boost to productivity that came from farming individually was largely the result of improved farming practices – seed selection, fertilisation, weeding and the like – by highly motivated family farmers, replacing the slipshod practices of the collective farms. But, increasingly, we found the potential gains from such improvements were being exhausted, and

There are new threats to farmers' security: poorly compensated takings of land, and coercive land leases to developers

that a new generation of long-term investments by farmers would be needed for further large gains in production.

China's farmers had lacked the motivation to make such investments, largely due to a process called "readjustment", which permitted local cadres to take back farmers' land parcels, reconfiguring and reallocating them as the village and household population changed. Not knowing how long they could keep a particular land parcel, farmers were reluctant to make any serious investment in it.

As readjustments put the brake on further advances in agricultural productivity, China's urban-rural "gap" steadily widened, with large rural disadvantages in life expectancy, education and consumption.

It was thus of paramount importance that Beijing enacted, between 1998 and 2007, a trio of laws intended to give China's millions of rural households long-term

security on the land: the 1998 Land Management Law, the 2002 Rural Land Contracting Law and the 2007 Property Law. Now, all rural households were to have 30-year use rights to the same parcels of land; almost never "readjustable"; confirmed in written contract and certificate; transferable and inheritable within the 30 years; and extendable after 30 years. Safeguards such as women's equal land rights and land-rights protection for urban job seekers further bolstered tenure security.

Given the centrality of these new laws to the whole process of rural development, and beginning in 1999, Landesa joined Renmin University and Michigan State University in five large sample surveys, covering 17 provinces. The purpose was to provide ongoing, independent assessment of the implementation of farmers' 30-year land rights.

The preliminary results of the 2010 survey have just been published as a chapter in the 2011 *Rule of Law Blue Book* of the Chinese Academy of Social Sciences, and reflect both notable emerging accomplishments and serious challenges:

- There is much room for improvement in land-rights documentation: 71 per cent of farming families have been issued at least one land-rights document. But only 44 per cent have been issued both documents, as required, and 29 per cent have been issued neither. A large majority of documents lack wives' names while a recent campaign to issue remaining documents had minimal success.

- Farmers' long-term land investments have begun to have a measurable impact. Investments appear closely linked to the issuance of documentation. Even with the shortcomings in issuance, the survey results extrapolate to indicate 22 million incremental capital investments made for agricultural diversification alone. In 2009, these yielded an average gross income for the investing farmer of 20,650 yuan (HK\$24,000), representing a total of 454 billion yuan for all investing farmers – over 12 per cent of total rural income that year.

- A market for agricultural land is gradually emerging. One out of eight farmers has engaged in a voluntary market renting-out of land rights in the past three years. Rent levels are up and, when capitalised, suggest an emerging value of around 87,000 yuan per hectare of arable land. For all arable land, this equates to potential land wealth of 10.44 trillion yuan in the farmers' hands (an increase from 8 trillion yuan in 2008).

- There are new threats to farmers' tenure security. Although the original threat of



readjustment appears to have largely ended, two new dangers have gathered momentum: poorly compensated takings of land for non-agricultural purposes; and often coercive land leases, supposedly for agricultural purposes, to outside developers or companies.

More than one out of 10 villages experienced land being taken away last year (cumulatively, 37 per cent of villages have had their land taken away). In three cases out of five, farmers were not satisfied with the compensation. Moreover, the process had severe shortcomings: in 29 per cent of cases, farmers were not even notified in advance, and in 58 per cent of cases they were not consulted on compensation.

Nearly a quarter of villages have seen large-scale leasing to outsiders, with the average resulting holding equal to those of nearly 100 average farmers. Forty-five per cent of these big holdings were accumulated using illegal pressure from local officials, and one-third illegally divert

at least some of the land away from agriculture.

Overall, several key needs emerge, to protect and realise the enormous potential of China's rural land tenure reforms.

First, a strongly led campaign by Beijing is needed to issue remaining documents, and ensure that women are named as right-holders. Second, the Land Management Law should be revised to improve both compensation and procedures for takings. Third, rampant land leasing by outside developers and corporate farmers needs to be restricted.

Fourth, clarify that farmers' land rights renew automatically for successive 30-year periods. And, finally, on all the land-rights rules: publicise, publicise, publicise.

Roy Prosterman is founder and chairman emeritus of Seattle-based Landesa (formerly the Rural Development Institute) and emeritus professor of law at the University of Washington. Gao Yu is China country director for Landesa

Jonathan Power

Hiroshima's pall

We may not know for some time how bad were the nuclear accident and the devastation of the tsunami on Japan, but it has been serious enough to make Japanese wonder: "Why us?" Why us, when this super-organised society had taken such precautions against earthquakes and their consequences? How could it be, to quote German Chancellor Dr Angela Merkel, that "the impossible became possible"?

The physical repairing will take a long time. The mental healing perhaps longer. It is more than many people can take and even more so for a society that, only 66 years ago, experienced the nuclear bombing of Hiroshima and Nagasaki. "Why us?" has a deeper resonance than we outsiders can imagine.

Today, one can blame nature, but one can also blame the Japanese scientific and political communities for not building nuclear plants that could deal with "the impossible". Six decades ago, one could blame the wartime leadership of Japan for persisting with the war when the evidence was overpowering that Japan had lost. While with the recent events, there was a cause and effect, the events of yesterday were a mixture of Japanese pig-headed militarism and American realpolitik.

The atom-bombing of the two cities is always explained by the US as a necessary step because there remained no other way of forcing capitulation and saving the lives of hundreds of thousands of its troops. But it is simply not true. If we are to understand the impact of these events, we have to be as detached and honest as the geologists and nuclear experts who are now studying how the earthquake and partial nuclear meltdown happened.

The evidence now available suggests that the nuclear bombing was not decisive in persuading Japan to surrender. The emperor and the war leadership were told about the atomic bombing but it did not affect their will to continue the war. The Soviet invasion did. Without the Soviet entry into the war, the Japanese would have continued to fight until quite a few more atomic bombs had been dropped. US president Harry Truman had a workable alternative to using the atom bomb – to co-operate with Stalin, as Roosevelt and Churchill had done on the Western front.

When the Red Army invaded Manchuria, the Japanese political leadership was taken totally by surprise. The invasion undermined their confidence as well as punching a fatal hole in their strategic plan. Without its surrender, Tokyo knew that the Soviets would occupy Manchuria, southern Sakhalin, the Kuril Islands and a good half of Korea and then move further southwards

into the mainland. Moreover, it would have compelled Truman to concede Soviet participation in Japan's post-war occupation.

This, not the nuclear bombing, was the key factor. The US conventional bombing attacks on Japanese cities in the spring and summer of 1945 were almost as devastating as Hiroshima. But neither the conventional nor the nuclear bombing turned the heads of Japan's leaders. Its supreme council did not meet until two days after the Hiroshima attack of August 6.

Yet, when the Soviets intervened on August 9, word reached Tokyo by 4.30am and the supreme council met by 10.30am. Following Hiroshima, Emperor Hirohito merely asked for "more details". When he heard of the Soviet invasion, he summoned Lord Privy Seal Koichi Kido and told him: "In the light of the Soviet entry ... it is all the more urgent to find a means to end the war."

After the war, Kido confessed: "If military leaders could convince themselves they were defeated by the power of science but not by lack of lack of spiritual power or strategic errors, they could save face." The Americans were only too happy to oblige in this political spin.

Today's Japanese want to know exactly why the great nuclear accident occurred. But, before the wartime generation shuffle away, they should demand that the truth about Hiroshima and Nagasaki be explained, too. It will give a measure of peace to a nation's troubled mind.

Jonathan Power is a London-based journalist

Caixin View Edited by Hu Shuli

Economic hope amid the rubble

Unfortunately for the Japanese economy, it never rains but it pours. Already stagnant for years, the economy was barely tottering out of the global financial crisis when the triple whammy of a massive earthquake, a tsunami and a nuclear accident struck. How this "once in a millennium" earthquake will affect the economy in Japan and the rest of the world is of concern.

We have no accurate assessment so far of the damage wrought, and the Japanese government, which is still battling to avert a nuclear disaster, has yet to draw up detailed plans for reconstruction and recovery. As such, it is too early for a full study of the impact.

But, based on past experience and current economic conditions, the outlook for Japan in the next few years is likely to be even more grim. On the wider economy, the quake's impact will be substantial in the short term, but it will not derail the global recovery from the financial meltdown.

The short-term impact of the earthquake cannot be underestimated; it caused a massive loss of life and property, roiled the financial markets and triggered volatility in the Nikkei. The yen's rapid rise is further hurting already struggling Japanese exporters.

The health of the Japanese economy, the world's third-largest oil guzzler, also has a major impact on oil prices. With its nuclear power facilities hit, Japan will have to turn more to traditional energy sources in the next few months. Its demand for energy will also increase in the second half of this year as it begins to rebuild. These factors will push crude oil prices higher, and add to inflationary pressures around the world. Moreover, the disruption to

production chains and trade relationships will certainly affect other economies and hurt jobs.

The Japanese government has taken several emergency measures since the quake, the most eye-catching of which have been the injection of liquidity into the market and the planned asset purchase. By March 17, the Bank of Japan had pledged to make available a total of 51.8 trillion yen (HK\$5 trillion) to financial institutions. And it further expanded the initial 35 trillion yen asset purchase plan by 5 trillion yen.

But the injection of liquidity is only an emergency measure to stabilise the financial market; it does

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not stimulate the economy directly. With the key interest rate effectively zero, the BOJ cannot cut rates further. The central bank's move to buy assets and increase the monetary base are of course expansionary monetary policies, though they may stabilise the market.

In the days ahead, the bank may further expand its asset purchase plan, and bring its currency policies in line with a fiscal expansion. Such a move will raise worries, given its high debt. But the government has no choice as it needs funds for reconstruction.

But will Japan's budget deficit and massive public debt lead to a crisis? In truth, the debt problem is

the result of structural problems in the economy, and won't be easily solved. But, as things stand now, a debt crisis is unlikely. A major portion of Japan's government debt is domestic. As long as the central bank continues to do its job, and domestic creditors continue to have confidence in the government, the debts can keep on rolling.

Moreover, the country is at little risk of going bankrupt. Japan is one of the world's largest net foreign asset holders, and its companies and nationals own massive foreign assets. In fact, the yen has risen in recent days on the back of a capital flow back into Japan. Confidence in the yen remains strong.

Though the quake-hit regions accounted for only a small part of the Japanese economy, the economic loss this time may exceed that after the Kobe quake. Closure of the Fukushima nuclear power plant, which is one of the world's largest in terms of capacity, and problems of nuclear leaks are set to affect nearby industries, including manufacturers of cars, optical instruments, chips and electronic products, and some iron and steel plants.

In the short term, the export of Japan's high-end products such as machinery will be disrupted, affecting other Asian economies. And, in the time before rebuilding can start, Asian exporters to Japan will face a sharp drop in business.

The economic ripples of Japan's quake will be most keenly felt in Asia in the next few months. Governments may be forced to set aside their conservative monetary stance for the moment, and step up their current account monitoring for signs of runaway price rises. But if—as Japan's economy slows down—commodity prices start to stabilise and inflationary pressures ease,

Asian monetary authorities may choose to wait and see.

Post-quake reconstruction, however, will create huge demand and boost Japan's gross domestic product. Japan's fiscal stimulus programmes may top 10 trillion yen, according to market estimates. When rebuilding begins, likely in the second half of this year, demand in Japan will increase and Asian exporters will see a strong rebound in business. The high-end manufacturers in other Asian countries will also gain an edge with a strong yen making Japanese exports more expensive, for now.

The Sino-Japanese relationship is close and delicate – China is Japan's largest trading partner. The mainland's processing and trading enterprises with Japanese investments will be the first to bear the brunt, while businesses that rely on parts and materials from Japan will also be directly affected. But, as commerce minister Chen Deming (陳德銘) said, the impact will be temporary.

A more lasting impact of the quake will in fact be on China's own energy policy, as was made clear by Beijing's decision to suspend government approval for nuclear power projects.

History shows we tend to overestimate the economic impact of natural disasters. But that is true only if the impact is not amplified by an economic downturn, and does not coincide with a structural crisis. Let us hope the Japanese earthquake will be no exception.

This article is provided by Caixin Media, and the Chinese version of it was first published in Century Weekly magazine www.caing.com

Voices: China

A green pipe dream

David Elmer

Sustainable growth was one of the buzzwords at the recent annual meetings of the National People's Congress and the Chinese People's Political Consultative Conference. Premier Wen Jiabao (溫家寶) said the target growth rate for the economy would be lowered to 7 per cent for the next five years, and promised that the mainland would not "blindly" pursue development that was unsustainable. Above all, he pledged that the environment would not be sacrificed for the sake of boosting industrial output.

The Communist Party has no use for irony, so Wen's words were greeted with the solemn applause that characterises NPC meetings. That is despite the fact that the delegates were sitting in the centre of Beijing, a metropolis that could be the poster boy for unsustainable growth. Overpopulated and with roads as clogged as a 60-a-day smoker's arteries, the capital is above all suffering from a drought that gets more serious by the year.

Step forward the South-North Water Diversion Project, the much-vaunted, long-awaited silver bullet that is supposed to cure Beijing's parched state. A relic of the Maoist era – it was Mao Zedong (毛澤東) who in 1952 first suggested transferring water from the south of China to the arid north – the scheme called for three routes to funnel water north from the Yangtze River. But, almost 60 years on, none of the routes are close to completion, while the costs continue to rise inexorably.

Students of Chinese history will know that the mainland's leaders have long favoured super-expensive public works of dubious value. While the Three Gorges Dam is the most recent example, the Great Wall

stands as a reminder of a ruinously expensive structure that completely failed to do its job.

But the South-North project is shaping up to be the biggest white elephant of them all. The western route, which calls for the Yangtze River to be diverted into the Yellow River via huge tunnels under the Qinghai-Tibetan plateau, has already been postponed indefinitely due to the immense engineering difficulties involved. Both the central route and the eastern section are also behind schedule.

Worse still, the officials in charge of the eastern route have indicated that the cost of their part of the project is set to rise further, due to the need to spend more fixing the ever-increasing amount of pollution problems in the areas that line the route. That is despite the fact that 420 billion yuan (HK\$498 billion) has already been earmarked for the entire scheme, more than double the amount spent on the Three Gorges Dam.

So contaminated are the waterways that are supposed to supply the eastern route that Tianjin's (天津) government is said to have refused to accept any water from them until more is done to clean them up. Mao could not have imagined that his grand idea would be derailed because economic growth on the mainland has been so fast and furious that its rivers and lakes have been left hopelessly polluted. Pollution is just one of the problems the engineers face. No one has satisfactorily explained how to prevent huge amounts of the water being transferred evaporating before it reaches the north. Then there are the unknown environmental consequences of rerouting the Yangtze and its tributaries.

And few of the hundreds of

thousands of people who are being forcibly relocated in Henan (河南) and Hubei (湖北) to make way for the water tunnels are happy to be sacrificing their homes and land.

Perhaps most embarrassing is that the ethos of the project conflicts so much with the party's new insistence that sustainable growth is the way forward. Everything about the plan, from the scale and cost to the potential environmental damage, is unsustainable, especially when a culture of water conservation in northern China might solve the water shortage. Beijing wastes water at an alarming rate – for every US\$4 of economic output in the north, one cubic metre of water is required, which is three times the global average.

Yet, there is no way the South-North Project can be cancelled. For the current leaders to do so would be an unprecedented criticism of their predecessors who initiated the scheme. And with Beijing and other cities in the north anticipating that the project will solve their water shortages, local officials are not telling industry or individuals that they need to save water, so the misuse of this most valuable of resources continues.

China's trumpeting of sustainable growth makes for a nice sound bite, but, like the South-North Project, it will be years before it becomes reality.

David Elmer is a Beijing-based journalist

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