

**DEFINING PROPERTY RIGHTS OVER RURAL LAND  
IN PERI-URBAN CHINA**

----- A CASE STUDY OF BEIQIJA TOWN, BEIJING

**HU TINGTING**

**NATIONAL UNIVERSITY OF SINGAPORE**

**2006**

**DEFINING PROPERTY RIGHTS OVER RURAL LAND  
IN PERI-URBAN CHINA**

----- A CASE STUDY OF BEIQIJA TOWN, BEIJING

**BY**

**HU TINGTING**

*(B.S., BEIJING NORMAL UNIV.)*

**A DISSERTATION SUBMITTED  
FOR THE DEGREE OF MASTER OF SCIENCE  
(ESTATE MANAGEMENT)**

**SCHOOL OF DESIGN AND ENVIRONMENT  
NATIONAL UNIVERSITY OF SINGAPORE**

**2006**

## ACKNOWLEDGEMENT

I would like to express my gratitude to my supervisor, Prof. Zhu Jieming, for his support, patience, and encouragement throughout my graduate studies. It is not often that one finds a supervisor that always finds the time for listening to the little problems and roadblocks that unavoidably crop up in the course of performing research. His technical and editorial advice was essential to the completion of this dissertation and has taught me innumerable lessons and insights on the workings of academic research in general.

My thanks also specially go to the Prof. Cai Jianming in China Academy of Science and the officials in the research area Beiqijia town in Beijing, for their kindly and great help in my fieldtrip to the case study area, which is the fundamental basis of the research. Without their assistance, it is not possible for the dissertation to be accomplished.

The comments from the academicians in department of real estate are much appreciated and have led to many interesting and good-spirited discussions relating to this research. I am also grateful to all my peers for their considerable help and encouragement.

Last, but not least, I would like to thank my parent and sister for their unchanged deep love, attention, and support through all these years. Their encouragement was in the end what made this dissertation possible.

# TABLE OF CONTENTS

<b>CHAPTER 1: INTRODUCTION</b> .....	<b>1</b>
1.1 Research Background.....	1
1.2 Existing and Relevant Research.....	2
1.3 Research Question and Objectives.....	4
1.4 Presentation of the Study.....	4
<b>CHAPTER 2: LITERATURE REVIEW</b> .....	<b>6</b>
2.1 Peri-urbanization Process.....	6
2.2 Neo-classical Economics Explanation.....	7
2.3 Development Process Approach.....	8
2.4 Institutional Analysis: Property Rights and Institutions.....	10
2.5 Theories of Institutional Change.....	13
2.6 Institutional Change in Rural China.....	15
2.6.1 Background.....	15
2.6.2 Rural Land Expropriation.....	17
2.6.3 Local Cadre Management.....	18
<b>CHAPTER 3: FORMAL INSTITUTIONS ON RURAL LAND USE</b> .....	<b>21</b>
3.1 Rights Over Land.....	21
3.2 Conversion from Agricultural to Construction Land.....	22
3.3 Conversion from Rural to State Land.....	25
3.3.1 Central state regulation on rural-urban land conversion.....	25

3.3.2 Institutions for Rural-Urban Land Conversion Approval·····	30
3.4 Institutional Setting and Situation in Beijing·····	33
3.4.1 Rural Construction Land Use·····	33
3.4.2 Rural-state land conversion·····	33
3.4.3 Land Conversion Situation in Beijing in the 1990s·····	35
<b>CHAPTER 4: EMPIRICAL STUDY ON LAND DEVELOPMENT·····</b>	<b>37</b>
4.1 The development of Municipality Beijing·····	37
4.1.1 Land Coverage Change·····	37
4.1.2 Demographic Redistribution·····	39
4.2 Targeted Research Area: Beiqijia Town·····	40
4.2.1 Economic Growth of Beiqijia Town·····	41
4.2.2 Demographic Characteristics of Beiqijia Town·····	43
4.2.3 Land Use Situation in Beiqijia Town·····	44
4.3 Land Development in Beiqijia Town·····	47
4.3.1 Industrial Land Use·····	48
4.3.2 Rural Village Housing Land Use·····	53
4.3.3 Affordable Housing Land Use·····	56
4.3.4 Commodity Housing Land Use·····	58
<b>CHAPTER 5: PROPERTY RIGHTS ARRANGEMENTS·····</b>	<b>76</b>
5.1 Land development legality types·····	76
5.2 Formal projects·····	79
5.3 Quasi-informal projects·····	82

5.2.1 Commodity projects with county level approval.....	82
5.2.2 Rural land used by peasants.....	87
5.3 Informal projects.....	88
5.3.1 Commodity projects with no approval.....	88
5.3.2 Rural Land Rent to External User.....	92
5.4 Summary.....	95
5.5 Major Players.....	97
<b>CHAPTER 6: CONCLUSIONS.....</b>	<b>102</b>
6.1 Introduction.....	102
6.2 Conclusion .....	103
6.2.1 Complicated informal development.....	103
6.2.2 Various actors and interactions.....	105
6.2.3 Competition within the collective over land.....	106
6.3 Summary of the conclusions.....	108
6.4 Further discussions.....	108
<b>BIBLIOGRAPHY.....</b>	<b>110</b>

## **SUMMARY**

Accompanying with rapid urbanization and hectic real estate development market in China, the urban fringe area becomes the most dynamic area, giving rise to academic scrutiny of peri-urbanization phenomenon. Due to the unique rural-urban dichotomy of land system in China, development in peri-urban areas especially involves land ownership and use right transfer issue. Given the constantly changing institutions and players in rural land development market, studies on the informal institutions underlying current market situation and the actual property rights arrangement is of great importance, which is also the motivation of this research.

The aim of this research is to carry out an empirical investigation on the land development process of a peri-urban area through a case study, and further derive insights on the informal institutions and evolving property rights system on the rural land. Thus the objectives of this research are: (1) based on empirical study on the rural land development process, find out various development types, and the characteristics of each type in terms of being formal or otherwise; (2) Discover the main actors, relationship between them and strategic behavior by each actor, the formal and informal institutions regarding land development process; and (3) delineate the arrangement of property rights system over the rural land among different actors involved and interpret such institutional change and the arrangement with the perspective of institutionalism.

Using land acquisition data from a typical peri-urban town case in Beijing and especially 29 commodity housing projects, this research finds that power balance and interaction among the land users, developers and the state were always structured by the property rights regime. There are various forms of land development, in terms of land transfer and approval grants, as well as various developers. Ambiguity in property rights is the driving force of rapid peri-urbanization. It has been revealed in this research that rural land development of Beiqijia Town was structured by the ambiguous legal ownership of rural land by the rural collectives, weak land use rights of the nominal land owners, indetermination of inter-government power allocation as well as the evolution of the property rights structures. The power of township government was actually enhanced as the China Communist Party built the government power deep into rural areas. Combining with the cadre management and assessment system, the township officials become pro-growth and actively pursue revenue from land development. The land development and transfer rights are consistent along with the government power reshuffle process and movement of de facto land conversion approval authority.



## LIST OF FIGURES

Figure 1.1 Structure of the dissertation	5
Figure 3.1: The administration evolution of rural area after the reform	23
Figure 3.2 State policies on agricultural – construction land conversion in different periods	28
Figure 3.3 New regulations on rural-urban land conversion from 1999	29
Figure 3.4: Formal process of land apportionment in China	30
Figure 3.5 Formal approval process of a development project	31
Figure 3.6 Land Markets in China	31
Figure 3.7: Rural land expropriation approved by municipal government in the 1990s	34
Figure 4.1 Land Coverage change in Beijing from 1950-2000	37
Figure 4.2 Population growth rates of various areas of Beijing from 1950-2000	38
Figure 4.3: Geographical Location of Beiqijia Town	39
Figure 4.4: Beiqijia Location in Changping County	39
Figure 4.5: 21 villages in Beiqijia Town	39
Figure 4.6: GDP growth rate of Beiqijia Town, 1991-2000	40
Figure 4.7: GDP structure of Beiqijia Town, 1990-2001	40
Figure 4.8: Sectoral GDP structure of Beiqijia Town, 1990-2001	41
Figure 4.9 Land use map in Beiqijia Town in 2003	44
Figure 4.10: Industrial land use map	47
Figure 4.11 Rural housing land use map	52

Figure 4.12 Affordable housing land use map	55
Figure 4.13: Commercial housing land use map	56
Figure 5.1: Formal projects distribution	78
Figure 5.2: Illustration of transaction of formal projects	78
Figure 5.3: Illustration of transaction of quasi-informal projects	80
Figure 5.4: Illustration of land rights transaction in peasant housing rent	84
Figure 5.5: Illegal projects distribution	85
Figure 5.6: Illustration of land rights transaction in informal commercial projects	88
Figure 5.7: Illegal projects distribution	91
Figure 5.8: Illustration of the land rights transaction in renting land to external users	91
Figure 5.9: Comparison between commercial housing projects before and after 1997	92

## LIST OF TABLES

Table 4.1 The population constitution in Beiqijia Town	42
Table 4.2: Land Use in Beiqijia Town in 2003	44
Table 4.3: Categorization according to the land use types in 2003	44
Table 4.4: Basic information on the industrial zones in Beiqijia in 2003	47
Table 4.5: The basic information of industrial land use in 2003	48
Table 4.6: Basic Information of Commercial Housing Projects in Beiqijia	58
Table 4.7 Projects undertaken by indigenous developers	62
Table 4.8: Projects undertaken by external developers before 1997	67
Table 4.9: Projects undertaken by external developers after 1997	72
Table 5.1: Land development legality types in Beiqijia Town	76
Table 5.2 Formal projects	77
Table 5.3: Projects using land approved by the county government	83
Table 5.4: Informal projects	86
Table 5.5: Comparison of projects with different land approvals	93
Table 5.6: Employment situation of villagers in Beiqijia Town in 2003	9

# CHAPTER ONE

## INTRODUCTION

### 1.1 Research Background

Rapid urbanization induced by industrialization in Southeast Asia and China has raised wide academic scrutiny. Such transformation is characterized by desakota land use pattern (McGee, 1991) and peri-urbanization process for its urban-rural ambiguity. As Webster (2002) puts it, the magnitude and impact of this phenomenon in China is, and will be, more important than in any other world region.

The term peri-urbanization refers to a process in which rural areas located on the outskirts of established cities become more urban in character, in physical, economic, and social terms, often in piecemeal fashion. Large-scale, often haphazard, land conversion occurs and infrastructure backlog is one of the major challenges. Typically, peri-urbanization is stimulated by an infusion of new investment, generally from outside the local region in question, including foreign direct investment. Peri-urban development usually involves rapid social change as small agricultural communities are forced to adjust to an urban or industrial way of life in a very short time.

China, the new Asian economic growth engine, is in transition from the central planning system to a market orientation economy. Accompanying with booming economic development, Chinese cities are experiencing urban expansion and restructuring as well, with the fringe area as the most dynamic area. Urban reforms brought in land market establishment, increasingly marketized urban development process and changes in planning practices, which is for the state to intervene the notoriously inefficient land development. On the other hand, conventional theories, based on the experience of many developing countries, describe an urbanization process where large cities play a dominant role (Zhu, 1999; Sassen, 2000).

There are many researches on land conversion in the fringe areas of Beijing based on remote sensing images. Urban expansion in the 1980s and 1990s were respectively developments along newly built transportation corridors and piecemeal developments between the central core and the town centers. The characteristics of patchwork development and mixed land use fell into the category of “peri-urbanization”. Curiosity about what drives fundamentally such development pattern spurs me to further research.

## **1.2 Existing and relevant research**

The researches pertaining to peri-urbanization are mainly geographical record and modeling from the perspective of regional development, such as metropolitan urban growth, growth poles and urban diffusion models, etc. (Adell, 1999), where it finds a theoretical place within the broader literature on rural-urban interactions and linkages. Mattingly (1999) thinks peri-urban interface is notably lacking in institutions and processes to negotiate the resolution of conflicts, but it has not theoretical depth.

With the urban development process viewed as the market result of a special commodity, buildings or real estate, insightful explanations proliferate. Neo-classical economics holds that the real estate market is also one dominated by individuals who behave rationally in maximising utilities with preference, with relative prices driving the market towards a long-run equilibrium. However, due to the characteristics of heterogeneity, low liquidity, high transaction cost and location fixity, the real estate market is notoriously inefficient and the neo-classical model is widely criticized (Evan, 1995).

Thus development process approach is put forth to study the forces and their function in shaping the urban built environment. The most widely used models in developed capitalist

economies include the neo-classical model (Healey, 1991), event sequence model (Gore and Nicholson, 1985), agency model (Healey, 1991), structural model (Adams et al., 1997; Healey, 1991) and structure-agency model (Healey and Barrett, 1990). The most comprehensive structure-agency model suggests that a thorough understanding of the development process can be achieved only by linking the strategies, interests and actions of various actors with the context of broader social, economic and political processes.

However, Ball (1998) acutely points out that such studies provide useful information but, by the nature of their methodology, emphasize the actions of individuals over markets, yet no precise definition is given of what constitutes a 'structure', an 'agency' or an 'institution'. There is no clear theory of institutions and how to study them; rather elements are drawn together in ad hoc explanations. And he constructed the structure of provision model, trying to incorporate institution into the analysis of development process. He admitted that the provision thesis provides a perspective for empirical research rather than a theory of explanation (Ball, 1998).

The importance of institutional analysis comes to the fore. Institutions are relatively stable sets of widely shared and generally realized expectations about how people will behave in particular social, economic, and political circumstances (Weimer, 1997). Two important notions are property rights and transaction cost. Property rights are relations among people concerning the use of things (Furubotn and Svetizar, 1972), which are considered essential in the governance of the real estate market (Fischel, 1985; Webster and Lai, 2003). Zhu (2005) holds that the 'structure' in the development process thesis is the institution of property rights, and elaborates on how socialist institution of people's landownership has evolved into a new form to structure an emerging urban land market.

To date, in spite of drastic institutional change in rural China, there is no institutional research on the rural land in China, although Ho (2004) points out the legal ambiguity of property

rights. But how various actors react to such ambiguity and economic and institutional changes, and how distinctive peri-urbanization occurs, remain unsolved. One possible reason is the lack of empirical data, preventing from deeper discussions.

### **1.3 Research Objectives**

So this research aims to find out the property rights on rural land during the rural-state conversion process and the conceptual foundation for this institutional change. As a result, the objectives are:

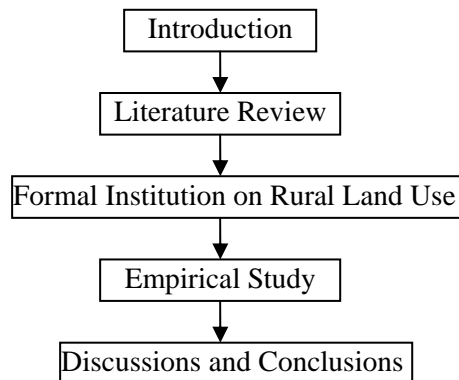
- (1) Based on empirical study on the rural land development process, find out various development types, and characteristics of each type in terms of being formal or otherwise;
- (2) Discover the main actors, relationship between them and strategic behavior by each actor, the formal and informal institutions regarding land development process; and
- (3) Delineate the arrangement of property rights system over the rural land among different actors involved, and interpret such arrangement from the perspective of institutionalism.

The research question is thus derived as what the informal development of rural land in peri-urban area of Beijing is and what the property rights arrangement among various actors is.

### **1.4 Presentation of the Study**

The study is organized in 5 chapters, as illustrated in the figure 1.1 below.

Figure 1.1 Structure of the dissertation



**Chapter 1:** introduce the research problem by bringing in the research background and existing study of peri-urbanization and land development in China, identify research objectives and questions.

**Chapter 2:** go through recent theoretical literature in economical and sociological studies relevant to land development within a framework fit for this study.

**Chapter 3:** introduce the formal institutions over rural land use and their changes over time, and approved or unapproved rural land development Beijing during the 1990s.

**Chapter 4:** introduction of the study area, way of data collection; go into the details of the rural land development types by grouping into the different use and developers.

**Chapter 5:** in the framework regarding the legal status of projects, find out the property rights arrangement among various actors.

**Chapter 6:** conclude the research by summarizing the findings and the driving force and evolution of property rights arrangement as main conclusions.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Peri-urbanization Process**

Rapid urbanization induced by industrialization in Southeast Asia and China has raised wide academic scrutiny. Such transformation is characterized by desakota land use pattern (McGee, 1991) and peri-urbanization process for its urban-rural ambiguity. As Webster (2002) put it, in East Asia, the magnitude and impact of this phenomenon is, and will be, more important than in any other world region.

The term peri-urbanization refers to a process in which rural areas located on the outskirts of established cities become more urban in character, in physical, economic, and social terms, often in piecemeal fashion. Large-scale, often haphazard, land conversion occurs and infrastructure backlog is one of the major challenges. Typically, peri-urbanization is stimulated by an infusion of new investment, generally from outside the local region in question, including foreign direct investment. Peri-urban development usually involves rapid social change as small agricultural communities are forced to adjust to an urban or industrial way of life in a very short time.

In spatial terms, Rakodi (1998, as quoted in Adell 1999) defines peri-urban areas as:

...the transition zone between fully urbanised land in cities and areas in predominantly agricultural use. It is characterised by mixed land uses and indeterminate inner and outer boundaries, and typically is split between a number of administrative areas.

The peri-urban zone begins just beyond the contiguous built-up urban area and sometimes extends as far as 150 km from the core city, or as in the Chinese case as far as 300 km (Webster, 2002). The land that can be characterized as peri-urban shifts over time as cities,

and the transition zone itself, expand outward. What frequently results is a constantly changing mosaic of both traditional and modern land use. Peri-urbanization does not necessarily result in an end state that resembles conventional urban or suburban communities.

## **2.2 Neo-classical Economics Explanation**

With urban development process viewed as the market result of a special commodity, buildings or real estate, insightful explanations proliferate. Neo-classical economics holds that the real estate market is also one dominated by individuals who behave rationally in maximising utilities with preference, with relative prices driving the market towards a long-run equilibrium. The neo-classical economics regards that markets should be structured as the players compete by price and quality. It is firmly believed that free market leads to efficiency and prosperity by the function of 'invisible hands' (Smith, 1776).

However, the essential assumptions underlying a perfect free market in the neo-classical economics rarely apply, especially for the land market. First of all, land supply is limited. Also, both land and property are fixed to one location and investment in them requires large capital outlays. The concept of land implies a host of external effects, positive as well as negative. All these attributes make for a very imperfect market. Moreover, both land and property on it are long-lasting assets and the value to the user is dependent on many factors which occur outside the plot and are thus beyond the control of the owner or investor (Luithlen, 1997). Such externalities make land and property market difficult to gauge.

Thus, due to the characteristics of heterogeneity, low liquidity, high transaction cost and location fixity, the real estate market is notoriously inefficient and the neo-classical model is widely criticized (Evan, 1995). The land market should not be treated as a black box. Particularly, market failure in relation to externalities and in the provision of public goods

prompts for an active role of the state in the market. As there is no “free market”, the emerging land market in the transitional economy would be structured by institutions and regulated by the state.

### **2.3 Development Process Approach**

Given that the land market could not be explained solely by neo-classical economics and the local state always plays an important role in urban development, development process approach is put forth to study the forces and their function in shaping the urban built environment. For a long time, economists, sociologists and planners have tried to give a reasonable explanation to the development process by developing all kind of models. Academic literature has stressed in recent years the importance of understanding the strategies and interests of ‘actors’ and their relationship in the development process (Healey and Barrett, 1990; Healey, 1991). The most widely used models in developed capitalist economies include the neo-classical model (Healey, 1991), event sequence model (Gore and Nicholson, 1985), agency model (Healey, 1991), structural model (Adams et al., 1997; Healey, 1991) and structure-agency model (Healey and Barrett, 1990).

Based on different theoretical underpinnings, these models themselves have been devised to assist research in a variety of contexts. They take different forms, ranging from flow diagrams, through sets of relationships between the agents involved, to overall frameworks or structures within which land development occurs. In this sense, such models are essentially different ways of representing the same thing (Gore and Nicholson, 1991). In fact, different types of models offer different levels of understanding (Gore and Nicholson, 1991). The neo-classical models, emphasizing that development decisions are made individually within a market framework (Healey, 1991); event sequence models, identifying the various stages of the development process using the ‘development pipeline’ concept describing the flow of

development schemes (Gore and Nicholson, 1985); agency models, focusing on various actors such as land-owners, developers, planners and financiers in the development process, their roles and the interests that guide their strategies and the interrelationships between them (Healey, 1991); structural models, based on theoretical understandings of the structural dynamics of land development with a deep root in Marxist economics and urban political economy (Adams et al., 1997; Healey, 1991); and structure and agency theory developed by Healey and Barrett (1990), suggesting that a thorough understanding of the development process can be achieved only by linking the strategies, interests and actions of various actors with the context of broader social, economic and political processes.

Based on a critical review of previous research, Gore and Nicholson (1991) conclude that it is futile to search for a 'generally applicable model' of the development process. Among the four categories of approaches reviewed are sequential or descriptive approaches, behavioural or decision-making approaches, production-based approaches and structures-of-provision approaches, which accordingly correspond to four of the models stated above—i.e. event sequence models, agency models, structural models, and structure and agency theory. It is recognised that the development process is so complicated that it cannot be fully understood by a single model. Gore and Nicholson (1991) suggest that the principles of the structures-of-provision approach are more useful in understanding the development process.

However, Ball (1998) acutely pointed out that such studies provide useful information but, by the nature of their methodology, emphasize the actions of individuals over markets, yet no precise definition is given of what constitutes a 'structure', an 'agency' or an 'institution'. There is no clear theory of institutions and how to study them; rather elements are drawn together in ad hoc explanations. And he constructed the structure of provision model, trying to incorporate institution into the analysis of development process. He admitted that the provision thesis provides a perspective for empirical research rather than a theory of explanation (Ball, 1998).

Ball argued that the structure of provision (SOP) model reconnects agency and structure, organizations and markets, in a dynamic, contextual analysis (Guy and Henneberry, 2000). According to Ball, 'Provision' encompasses the whole gamut of development, construction, ownership, use and even health care, etc. Such 'provision' is structured by the network of organizations and markets involved in a particular form. Organizations and markets were both parts of the structure of provision, with two-way influences on each other. According to Ball himself, SOP is only a conceptual device for incorporating institutions into analyses of the development process. Both neo-classical and Marxist theories have failed to integrate land and property in their paradigms.

Study of urban development through an institutional approach offers a new way to understanding the forces that shape the building provision in urban area. However, such analyses are not subject to much theoretical challenge or empirical testing (Hooper, 1992) and failed to offer any deep insight into the mechanisms of market capitalism, or to identify in any detail how economic process frame local development practice (Guy and Henneberry, 2000). This brings us to the review of new institutional economics for better understanding of the urban development and redevelopment behaviors in the land market.

#### **2.4 Institutional Analysis: Property Rights and Institutions**

The importance of institutional analysis comes to the fore. Institutions are relatively stable sets of widely shared and generally realized expectations about how people will behave in particular social, economic, and political circumstances (Weimer, 1997). Two important notions are property rights and transaction cost. Property rights are relations among people concerning the use of things (Furubotn and Pejovich, 1972), which are considered essential in the governance of the real estate market (Fischel, 1985; Webster and Lai, 2003). Zhu (2005)

holds that the 'structure' in the development process thesis is the institution of property rights, and elaborates on how socialist institution of people's landownership has evolved into a new form to structure an emerging urban land market.

During seven decades (1930-2000), study of new institutional economics obtained quiet great progress in the analysis of human behaviors, most of which are based on the criticism and amend of unpractical assumption of traditional economics. It mainly focuses on relationship among property rights, transaction costs, institutions and economic behaviors. While neo-classical economics assume human behaviors to be rational (Machina, 1987; Winter, 1986), new institutional economics takes a more practical view towards the human behaviors: individual actors always confront with nonrepetitive choices where the information is incomplete and where outcomes are uncertain.

Generally, property rights are explained as the bundle of rights to use and dispose of an economic resource and to derive utility (income) from it. According to the Roman law which specifies several categories of property rights, ownership rights consist of the right to use assets (*usus*), the right to capture benefits from assets (*usus fructus*), the right to change its form and substance (*abusus*), and the right to transfer all or some of the rights specified above to others at a price mutually agreed upon (Pejovich, 1990: 27-28). In one introduction of the economic significance of property rights, Pejovich (1997: 3) explains: "property rights are relations among individuals that arise from the existence of scarce goods and that pertain to their uses. ... That is, property rights do not define the relationship between individuals and objects. Instead, they define the relationship among individuals with respect to all scarce goods."

The institutionalist approach provides a theory of social dynamics. Institutional constraints are the framework within which human interaction takes place. Property rights are structured by institutions. Voluntary exchange cannot flourish and develop into firms, markets and

governments without institutions to assign, arbitrate and protect private property rights (Webster& Lai, 2003). Rules and procedures evolved simplify the process of individuals to process, organize, and utilize information. The consequent institutional framework, by structuring human interaction, limits the choice set of the actors and reduce the uncertainties involved in human interaction (North, 1990). North (1990: 3-4) conceptualized institutions as “the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.... In the jargon of the economist, institutions define and limit the set of choices of individuals”. Institutions affect the performance of the economy by their effect on the costs of exchange and production. Institutions determine the cost of transacting and producing (transformation) and in the meantime, define and enforce property rights so as to induce potentially mutually beneficial resource uses and activity. It has been proved when transaction costs are significant, institutions matter (Coase, 1960; Alchian, 1977; Demsetz, 1967; Barzel, 1997). “A set of political and economic institutions that provide low-cost transacting makes possible the efficient factor and product markets underlying economic growth” (North, 1992: 6). Similarly, a bad choice of institutional arrangements is likely to have different economic consequences.

There are two types of game rules: formal ones and informal ones, while institutions also include the enforcement characteristics of both. In short, they consist of the structure that humans impose on their dealings with each other (North, 1992). Formal constraints are the rules that human beings devise such as constitutional, property-rights rules, and contracts. Informal ones include conventions and codes of behavior such as norms and customs. Informal constraints embodied in customs, traditions, and codes of conduct are much more impervious to deliberate policies (Aoki, 2001), setting the way by which the mind processes information and informal constraints thus play an important role in the makeup of the choice both in the short-run and in the long-run evolution of societies (North, 1990).

However, formal rules can complement and increase the effectiveness of informal constraints

by lower information, monitoring, and enforcement costs and hence make informal constraints possible solutions to more complex exchange. They can also be enacted to modify, revise, or replace informal constraints. The increasing complexity of societies would naturally raise the rate of return to the formalization of constraints and technological change tended to lower measurement costs. The creation of formal legal systems to handle more complex disputes entails formal rules; hierarchies that evolve with more complex organization entail formal structures to specify principal/ agent relationships (North, 1990). Formal rules include political rules, economic rules, and contracts. Problems of information—related to the possibility of opportunistic behavior of one of the agents—make it necessary to draw up contracts and define property rights (Hodgson, 1988). Political rules interact with economic rules which define economic policy and then specify a bundle of property rights over the use and rights to derive income from property within the contract that enable the exchange to occur in a human interaction. The efficiency of the political market is the key to the efficiency of property rights. If political transaction costs are low and the political actors have accurate models to guide them, then efficient property rights will emerge. But high transaction costs of political markets and subjective perceptions of the actors more often have resulted in property rights that do not induce economic growth, and the consequent organizations may have no incentive to create productive economic rules (North, 1990).

## **2.5 Theories of Institutional Change**

The emergence of new property right systems is viewed as institutional change which is endogenously determined by the strategic interaction of political and economic actors. A number of theories of institutional change offer conceptual foundations for studying the transformation of property rights in post-communist countries, which can be grouped into three categories, namely economic, public choice, and distributional theories (Weimer, 1997).



The economic theory sees institutional change as resulting from the realization of opportunities for changes in rules that are Pareto improving (North and Thomas, 1973). Demsetz (1967) and Umbeck (1981) see new rights emerging through the decentralized cooperation of affected parties to find rules to internalize externalities that become significant because of scarcity resulting from changes in relative prices or technologies. Libecap (1989) extends the economic model by introducing a passive government that provides the framework for bargaining among affected parties. Economic theories generally ignore the role of politics and policies in institutional change.

The public choice theory of institutional change introduces government as a strategic actor pursuing goals such as revenue maximization or electoral success through changes in formal rule (North and Thomas, 1973). In addition to the demand for the right occasioned by scarcity, they introduce a government actor who derives a benefit from granting the right. As the driving force in the public choice theory is government, it predicts that changes in property rights follow from changes in government interests. Subsequently, institutional change is a political process that changes formal institutions mostly by legislation.

The distributional theory sees institutional change as the by-product of conflicts among interests seeking distributional gains (Knight, 1992; North, 1993). Bargaining among interested parties establishes rules that have distributional consequences. The rules reflect asymmetries in bargaining power among the participants. Allowing for the possibility of actors using the coercive powers of government, the conflict may result in formal rules that inflict losses on those with weaker bargaining positions. Institutional change can result from a change in either the interests or the resources of the actors. Actors negotiate for institutional changes, but outcomes are not inevitably efficient. Institutions may change spontaneously and they are a by-product of strategic interaction.

The economic theory of institutional change predicts that the informal changes in property

rights that take place during informal privatization will be driven by efficiency considerations. According to this theory, the new forms of property rights emerging from informal privatization should be more efficient than the old ones that existed under the system of central planning. However, informal privatization appears economically inferior to other possible strategies, e.g. the TVE category, is not driven by efficiency considerations. As informal privatization cannot be considered a result of a coherent government policy, the public choice theory of institutional change is of less use for understanding this method of ownership transformation. On the other hand, the distributional theory distinguishes between past and future gainers from informal privatization and is consistent with the empirical findings.

## **2.6 Institutional Change in Rural China**

### **2.6.1 Background**

In the a few decades prior to the reform, the Chinese central government adopted several fiscal policies on the central-local and among local governments. At the beginning, the policy adopted is ‘two lines of revenue and expenditure’, that is, all the revenue is submitted to the central state treasury, and all the expenditure is planned and allocated by the central state budget. Following are ‘under the uniform leadership of the central government, management at various levels’ in 1951, ‘total amount management’ in 1957, ‘plan expenditure according to the revenue and fix it for five years’ in 1958, ‘divide the total revenue on a yearly base’ in 1959, and ‘keep proportional revenue as profit at local levels’ in 1970 etc. All of these fiscal schemes reflect the idea of central control on fiscal resources.

The fiscal system in the rural areas is no exception. All the revenue and expenditure of communes is planned in the county’s budget, even the fiscal system at the commune level

was abolished in 1962. After the experiment in the late 1970s, the policy of excessive profit retention over the quota of central government was adopted at the beginning of 1980s and taxation levy began in 1994. Most important feature of the new system is the local government can keep and depose the excessive profit. At the same time, fiscal system at township (town) level was established in 1985 when the commune system was abolished. It was stipulated that township/ town fiscal revenue is consist of budgetary funds, extra-budget funds and self-raised funds (Financial Ministry, Dec 1985). There was no clear definition on the self-raised funds except that it is expropriated by the township/ town government according to central government regulations. The kernel of revised fiscal contracts between the central and local governments is that the latter have become 'residual claimants' of fiscal revenue—a strong incentive for local governments to pursue local economic development (Zhu, 2005).

Because budgetary and extra-budget funds are very limited and supervised by higher level of governments, self-raised funds increasingly became important parts of town/ township revenue. In 1986 the budgetary funds of national agricultural budget was 4.42 billion, and self-raised funds by town/ township governments was 2.73 billion. And in 1992, the budgetary funds was 8.96 billion and self-raised funds was as high as 14.18 billion (Sun, 1999). The new fiscal system provided incentive to the town/ township governments to increase revenue, but there were no definition and regulations on the self-raised funds, nor democratic mechanism restricting government behavior.

In the collective production period, due to their own benefit, the production brigade cadres would negotiate with higher level of government on the retention of products. The abolishment of commune system gave decision making rights on production to the peasants on the one hand, resulted in differentiation between interests of peasants and cadres. The incomes of cadres now rely on the fiscal revenue, either expropriated from peasants or other resources.

After taking over governance over the country, the Chinese Communist Party (CCP) established government power deep into the countryside and succeed in building a top-down political system. Siu (1989) holds that the local cadres get power from the party and higher level of governments and act on the ideology and policy guidelines of the party. They are agents of the party and state, not representing the interest of villagers. But Oi (1989) thinks that local cadres are both the agents of the state, and also representatives of the local interests. Through clintelism, the local cadres can archive a balance between state, villagers and their own interests. In reality, with the devolution and decentralization of government power and fiscal system, the lower levels of government and cadres are more and more the main players confronting and conflicting with the peasants. Local state corporatism/ local corporatism is used to describe the behavior of local governments to promote local economic development to increase local revenue (Oi, 1992; Lin, 1995; Lewis, 1997).

### **2.6.2 Rural Land Expropriation**

Land expropriation in China is known as a form of “government behaviour” (*zhengfu xingwei*) which is described as “using coercive measures to acquire private land under compensatory arrangement by the government in the public interest” (Shang, 1998). The “government behaviour” in land development prevails as a result of the current assignment of property rights. By law, the village collective has the right to use (*jingying*) and supervise (*guanli*) the use of land, but it has no right to transfer land for compensatory use. The state, on the other hand, “may, in accordance with the law, expropriate land which is under collective ownership, if it is in the public interest”(The PRC Land Administration Law (1988), Article 2; The PRC Land Administration Law (1999), Article 2).

The requisition of rural land is the only type of transaction of land-ownership in China. The requisition of rural land by the state from the rural collectives is compulsory, but without a

market value-based compensation. Once the requisition of rural land occurs, the nature of land-ownership will be converted from rural collective-owned into state-owned land. However, while rural land is only permitted to be sold to the state, the actual land-user is not necessarily a state entity. Moreover, in most cases compensation is not directly paid by the state but by the land-user. The compensation seems to be in the form of a land price paid by the land-user for the rural land.

The requisition of rural land is compulsory and rural land is only permitted to be sold to the state. And the standard of compensation for the requisition of rural land is legally defined in a standard formula. It can be deduced that, due to the state monopoly of buying and non-market-based compensation standards, the requisition of rural land is clearly not a pure market land transaction.

In this assignment of property rights, land development proceeds in two steps: land expropriation (*tudi zhengyong*) by the government from villages, and land transaction (*tudi churang*) between the government and potential land users. Land expropriation is, in a sense, a procedure by which all rights formerly held by the village collective are relinquished to the local government.

The “government behaviour” in land development is facilitated by joint forces in the county and sub-county administrations. According to the survey done by Guo (2001) in Yunnan Province, China, in land expropriation, applications were normally initiated by the township government, whereupon the county-city “Economy Technology Development Zone Commission” (ETDZC) which supervises and facilitated all land transaction procedures, and operates at both county and township levels.

### **2.6.3 Local Cadre Management**

The role of the village administration is particularly important in land expropriation. The implementation of the household responsibility system in the early reform period resulted in allocating greater economic power to the village-level administration. Following the dissolution of the basic accounting unit known as the production team, the village administration became the sole representative of collective ownership. This role was further strengthened by its institutional relationship with the township government. The relationship is anchored in a bureaucratic arrangement whereby the village leadership is appointed by the township government, a system widely practised in China.

The village leadership usually consisted of a Party secretary, a village director and a book-keeper. In villages where administrative tasks were expected to be especially arduous, deputy directors were also appointed. The “law of avoidance” generally applied in that the Party secretary and the village director were preferably non-natives, but it was not without exceptions. The duration of each appointment term was three years, during which the village leaders were on the township government payroll. The appointment was renewable, depending on the performance of the village leaders and the requirements of the township government. In this system, there was mutual dependence between the township government and village leaders, the former on the latter for policy implementation and the latter on the former for official appointments. The CCP Organization Department established official guidelines for the annual evaluation (*kaohe*) of local Party and government leading cadres in 1988, which contain very specific performance criteria, such as industrial output, output of township- and village-run enterprises, taxes and profits remitted.

In this appointment practice, the relationship between village administration and township government appeared to be symbiotic. However, the symbiotic relation was not quite the same as that observed in business operations where networks formed as result of “rational responses” to the “institutions of an emerging market economy” (Wank, 1999). The participation of the village administration in this particular partnership was not necessarily

voluntary. In other words, the formation of the partnership was not based on a (rational) choice by the village administration; rather it was imposed by the particular institutional arrangement in which the village administration is subordinate to the township government. Nevertheless, the partnership can be quite rewarding for the village administration in gaining economic and political advantages by eliciting support from the township government. Therefore, even though it may not have been voluntary in the first place, the institutional relationship between village administration and township government often grew into a bond based on vested interests.

In the villages where land was expropriated, the villagers were not consulted and deals were sealed between the township government and village leaders. The full co-operation of the village administration illustrated a controversial aspect of collective ownership wherein, to the villagers, the village collective held the power, but to the local state, it did not. While institutional vulnerability subjected the village administration to the power of the township government, the economic interests (distribution of income from land sales in addition to regular financial subsidies to the village administration from the township government) provided sufficient incentives for the village leaders to comply with the township government. This co-operation enabled the township government to exercise real control over the management of collective property,

## **CHAPTER THREE**

### **FORMAL INSTITUTIONS ON RURAL LAND USE**

After reviewing the theoretical literature relevant to land development in Chapter Two, this chapter aims to depict the formal (written) institutions on rural land use, which provides basis for the discussion of informal practices by various players in following chapters. The evolution of the regulations is also included in the introduction, to better the understanding and historical issues pertaining to rural land use.

#### **3.1 Rights over land**

The Chinese Constitution stipulates that “[L]and in urban areas is owned by the State. Land in rural and suburban areas, except for that stipulated by laws as being owned by the state, is collectively owned by rural residents” (China 1998, Article 8; China 2004, Article 10). All rural land is classified according to its use into “agricultural land”, “construction land” (land used for nonagricultural purposes), and “unused land” (land other than agricultural land and construction land) (China 1998, Article 4).

During the early years of the new socialist country, rural land in the villages was gradually collectivized, private ownership over which is stripped. The rural land system based on the collective ownership was eventually legitimized in 1962 (CCCCP 1962). Rural land within the boundary of a Production Team was owned and operated by the Production Team. Such rural land was not allowed for lease or sale, however; no individual or organization could occupy the rural land without the approval of the government at the county level or above (CCCCP 1962).

A collective could possess, use, and benefit from the ownership of land, but it did not have the



right to transfer the land. The peasants, as collective owners of the rural land, actually enjoyed only two clear rights: (1) to use and benefit from the very small amount of land distributed to them as private plots and housing sites, and (2) to labor on the collectively owned agricultural land. This rural land system established in 1962 was then carried on until the introduction of the household production responsibility system (HRS) in 1978 when the use rights of agricultural land were contracted by the collectives to individual farm households. The ownership of rural land remained collective even after the dismantling of the rural commune system in 1983.

An institutional framework is established for rural land use, conversion, and circulation in the central planning period. Land was taken away from the private sector and transformed into collectively owned assets. As a means of socialist production (rather than a commodity), land was not allowed for market transaction, its use was free of charge, and its disposition or allocation was handled administratively by the state. Low efficiency in land use and the lack of individual production enthusiasm arise as a serious problem.

### **3.2 Conversion from Agricultural to Construction Land**

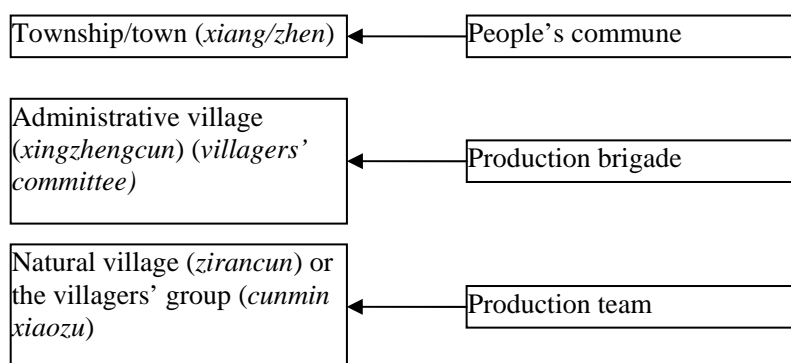
According to laws and regulations, the nature of land rights can be divided into: the collective ownership to land, the use right to state-owned land, the use right to collectively owned land, and other real rights. Note that state ownership is not listed separately as a right, while the collective ownership is. Such definition makes it clear that the collective land can be acquired and converted to state-owned land whenever deemed necessary.

The current format of collective ownership is the direct heritage of collectivization and the commune system. The former people's commune consisted of three echelons: the commune, the production brigade and the production team. In response to the disastrous results of the

Great Leap Forward<sup>1</sup>, the ownership of the means of production – agricultural fields, farm animals, implements and so forth – was refashioned in a “three-level ownership.” Between 1959 and 1962, the central leadership wavered between the production brigade and the team as the basic holder of land ownership and accounting for purposes of organizing labor and distributing income. For reasons of economic efficiency, the Eighth National Party Congress in September 1962 finally adopted the revised draft of the Work Regulations for the Rural People’s Communes (popularly known as the 60 Articles). In the revised draft, the production team was identified as the primary accounting unit and the owner of land.

In the early 1980s, the communes were dismantled and the Household Contract Responsibility System<sup>2</sup> was implemented. Generally, as illustrated in the figure below, the township/town (*xiang/zhen*) replaced the commune, the administrative village (*xingzhengcun*) replaced the brigade, and the natural village (*zirancun*) or the villagers’ group (*cunmin xiaozu*) replaced the team.

Figure 3.1: The administration evolution of rural area after the reform



In the central plan period, collectively owned agricultural land was worked collectively

<sup>1</sup> The Great Leap Forward of the PRC was an economic and social plan to use China’s vast population to rapidly transform mainland China from a primarily agrarian economy dominated by peasant farmers into a modern, industrialized communist society. The Leap was initiated and led by Mao, and carried out by the CCP from 1958 to early 1962.

<sup>2</sup>Under the household responsibility system, land is contracted to individual households for a period of fifteen years. After fulfilling the procurement quota obligations, farmers are entitled to sell their surplus on the market or retain it for their own use. By definition, peasants become residual claimants.

except for a small portion that rural collectives distributed to their members for use as private plots. Rural collectives also distributed existing construction land among their members and collectively owned entities for the purposes of public welfare undertakings (e.g., clinics, schools, sports, and cultural centers), Commune and Brigades Enterprises (CBEs), and housing. Rural collectives made most of the land-allocation decisions at the brigade or production team level, but the conversion of agricultural land to construction land was usually handled by the commune or county government.

The Household Production Responsibility System (HRS) was established in 1987, giving the peasants the decision-making power on plantation. The commune system that had existed in rural China from 1958 to 1983 was dismantled and replaced by a township and village system in which peasants are allowed to engage in a variety of nonagricultural activities on the basis of their local comparative advantages and personal expertise. Rural industrialization was promoted to improve the economic development in rural areas. This change created a great demand for nonagricultural construction land.

Institutional changes concerning land management started with the promulgation of the Land Management Law in 1987. The law established the State Land Administration Bureau (*Guojia tudi guanli ju*) to be in charge of comprehensive land management, including the formulation of land management policies. The law also spells out how land use conversion and transaction in urban and rural areas should be handled to reflect China's new political and economic situation.

Under the HRS, the contracted agricultural land may be further subcontracted or circulated in the secondary market within the rural collective sector for agricultural production (China 1998, Articles 2 and 15). To protect agricultural land and maintain food security, however, the state does not allow farm households to convert the contracted agricultural land for nonagricultural uses although the reality differs significantly from the state's intentions.

The rural collective—the villagers’ committee (*cunminweiyuanhui*), the village economic cooperative (*cunjingji hezuoshe*), or the township collective economic entity (*xiang jiti jingji zuzhi*)—has the authority to allocate existing rural construction land within the rural collective sector for use as public welfare undertaking, township and village enterprises (TVEs), and housing sites for its members. These rural enterprises may also use their buildings and land use rights as collateral to obtain a bank loan.

The state also imposed considerable constraints over rural collectives concerning the allocation and use of construction land. When allocating quota of agricultural land to be converted to construction land to rural users, the village collectives must comply with the township “overall land utilization plan (*tudi liyong zongti guihua*)” and the “annual land utilization plan (*tudi liyong niandu jihua*)” (China 1998, Articles 59 and 60). Each farm household is allowed to possess only one residential plot (*yihu yizhai*), and housing construction must comply with the official size standards, which vary from province to province (China 1998, Article 62). Moreover, the decisions of rural collectives to use and allocate construction land are subject to approval by the Land Bureau at the county level or above (China 1998, Article 61). Most importantly, agricultural land is not allowed for market transaction to nonagricultural or commercial users without state expropriation and approval (China 1998, Articles 43 and 63). The state also required peasants and individual enterprises needing land for construction to submit a land use application to the village committee or the township economic entity for examination and to the county government for approval (Lin and Ho, 2003).

### **3.3 Conversion from Rural to State Land**

#### **3.3.1 Central state regulation on rural-urban land conversion**

Under China's Constitution, the state has the right to expropriate collectively owned land if it is in the public interest, and state expropriation was the only way to shift land from the rural collective sector to the urban state sector (China 1954, Article 13). In other words, for a state unit to gain access to the use of a piece of collectively owned land, the local government, acting on behalf of the state, would first expropriate the land and then allocate it to the state unit. In such cases, the state unit paid the collective a compensation for the land, and the state made arrangements for the resettlement of the displaced peasants.

The tool used by the central state to regulate land conversion from agriculture to nonagricultural sectors in the 1980s was a quota allocation system in which the amount of land allowed for conversion out of the agricultural stock was initially set by the central state and then distributed downward to provinces, prefectures, municipalities, counties, and townships. While the national annual land-utilization plan set the overall limits, actual control was left to a hierarchical administrative system consisting of state agencies at various administrative levels to review requests for conversion.

Before 1982, decisions to use agricultural land for non-agricultural use were made at the commune (now township) level. From 1982 to 1986, the power to approve conversion of agricultural land to nonagricultural use was shifted to the Agricultural Bureau at the county level. In 1986 the State Council established the State Land Administration Bureau (SLAB) and promulgated the Land Management Law, China's basic law concerning land administration. The main responsibility of the SLAB is to formulate national policies and regulations on land conservation, development, and use (Yeh and Wu, 1996). Subsequently, land Administration Bureaus have been established at various levels of governments.

State construction projects using up to 3 *mu* (1 *mu* equals 0.0667 hectares) of farmland (or up to 10 *mu* of nonagricultural land) required approval of the Land Administration Bureau at the county level; those using between 3 *mu* and 10 *mu* of farmland (or between 10 *mu* and 20 *mu*

of nonagricultural land) required approval at the prefecture (*diji shi*) level; and those using between 10 *mu* and 1,000 *mu* of farmland (or between 20 *mu* and 2,000 *mu* of nonagricultural land) required approval at the provincial level. State construction projects that used more than 1,000 *mu* of farmland (or 2,000 *mu* of nonagricultural land) would have to be approved by the State Council.

The use of annual quotas and the hierarchical review and approval system introduced by the central state had unfortunately turned out to be a failure. In many municipalities and counties, the profits generated through taking the land out of the agricultural stock cheaply for high-value urban and commercial development quickly became a major source of local revenue, accounting for 30 percent of municipal revenue to 70 percent (Lin and Ho, 2004). Thus state agencies at various administrative levels from the province down to township all had vested interests in land expropriation and conveyance, and local governments could not be relied upon to enforce the rules set by the central state. On the contrary, the rules and regulations introduced by the central state were effectively contested and manipulated by local governments in various ways. For instance, the authorization limits for land conversion specified in the 1986 Land Management Law for local governments had been easily exceeded through dividing a mega project into smaller ones. The local strategy is known as “cutting the whole into small pieces (*huazheng weiling*)”. But there are quota controls? Another local strategy was to find a way around the limitation of the annual quota by playing with the classification of land. Because local cadres as land use planners and regulators also had vested interests in land expropriation and conveyance, they could quietly misclassify the needed agricultural land as already “nonagricultural land” and therefore not subject to the limitation of the annual land-conversion quota (Lin and Ho, 2004).

The failure of the hierarchical review and approval system to control land conversion forced the central state to consider alternative ways to protect China’s shrinking agricultural land. The compromise made by the central state was to set a bottom-line or minimum amount of

land that was considered absolutely necessary for agricultural production. Through a mechanism known as “dynamic equilibrium (*dongtai pingheng*)”, the minimum is maintained by replacing the occupied agricultural land with newly claimed farmland. This mechanism gave local governments considerable freedom in farmland conversion. In November 1991, the central state called for the establishment of “protected basic farmland regions (*jiben nongtian baohuqu*)”. This decree was followed by the promulgation of the “Regulations for the Protection of Basic Farmland” in August 1994 that prohibited the removal of “basic farmland” from cultivation. Finally, in 1998, the central state substantially revised its Land Management Law by changing the rules for farmland protection. Specifically, the new law requires each province to designate at least 80 percent of its cultivated land as “basic farmland,” which must be preserved (China 1998, Article 34).

Nevertheless, the revised Land Management Law requires provincial governments to “adopt measures to ensure that the total amount of cultivated land within its administration region is not reduced,” and, if reduced, to take responsibility for the reclamation of an equal amount of land within its administration region or in a different location (China 1998, Article 33). The central state also abandoned the previous hierarchical review and approval system and replaced it with a new one in which the power was significantly reshuffled or rescaled upward to the provincial level. All expropriation of agricultural land and most conversions of land from agricultural use for urban development now require state approval at the provincial level or higher. Specifically, the expropriation of any basic farmland, cultivated land other than basic farmland in excess of thirty-five hectares, and other land of lower quality in excess of seventy hectares requires the approval of the State Council (China 1998, Article 45). The expropriation of land in all other cases requires government approval at the provincial level and must be reported to the State Council.

Figure 3.2 State policies on agricultural-construction land conversion in different periods

1982-1986	Agricultural Bureau at county level
1986-1991	Hierarchical review and approval system at various administrative levels
1991 onwards	Dynamic equilibrium to maintain minimum amount of agricultural land

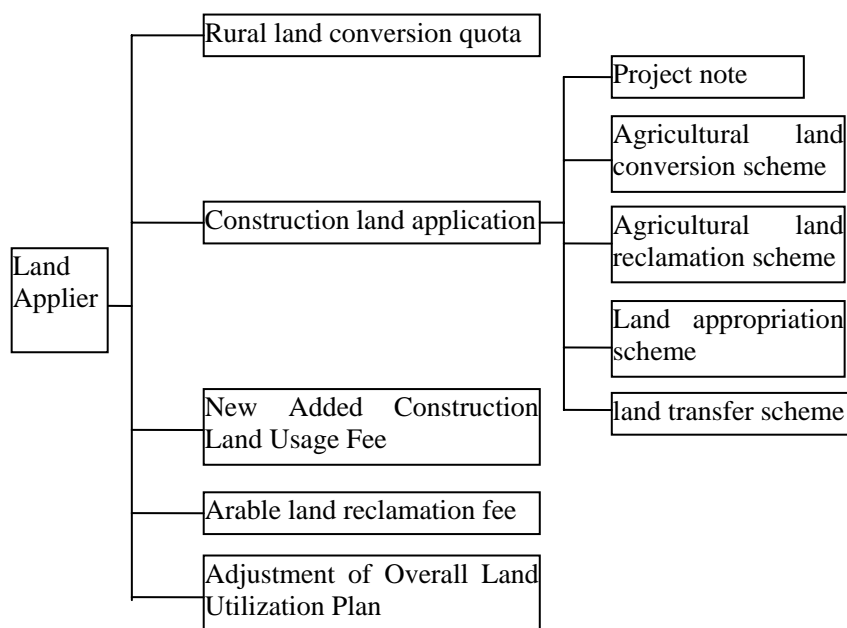
	Establishment of “protected basic farmland regions”
1994	Prohibition of the removal of “basic farmland” from cultivation
1998onwards	Each province to designate at least 80% of its cultivated land as “basic farmland” (China 1998, Article 34) All expropriation of agricultural land and most conversions of land from agricultural use for urban development requires state approval at the provincial level or higher (China 1998, Article 45)

Source: State policies

In line with the state policy on rural-state land conversion evolving from hierarchal government approval to the dynamic equilibrium approach, ever since 1999 there were new institutions in the rural-state land conversion, besides the rural land conversion quota. First is the construction land application. The application material includes one note and four schemes, that is, the project note, agricultural land conversion scheme, agricultural land reclamation scheme, land appropriation scheme and land transfer scheme. Second is the New Added Construction Land Usage Fee (Ministry of Finance & Ministry of Land and Resource, Decree117, 1999). It is collected by the State Council or provincial governments when approving rural-state land conversion and land expropriation, and is paid by the county/ city level government from the land transfer premium received. 30% of the fee should be submitted to the State and 70% goes to the provincial government. The fee is supposed to be used in agricultural land consolation. The third is the arable land reclamation fee payable to the District Land Resource Consolation Office. And the last is the adjustment of Overall Land Utilization Plan, since that plan of Beijing was accomplished in 1998.



Figure 3.3 New regulations on rural-urban land conversion from 1999



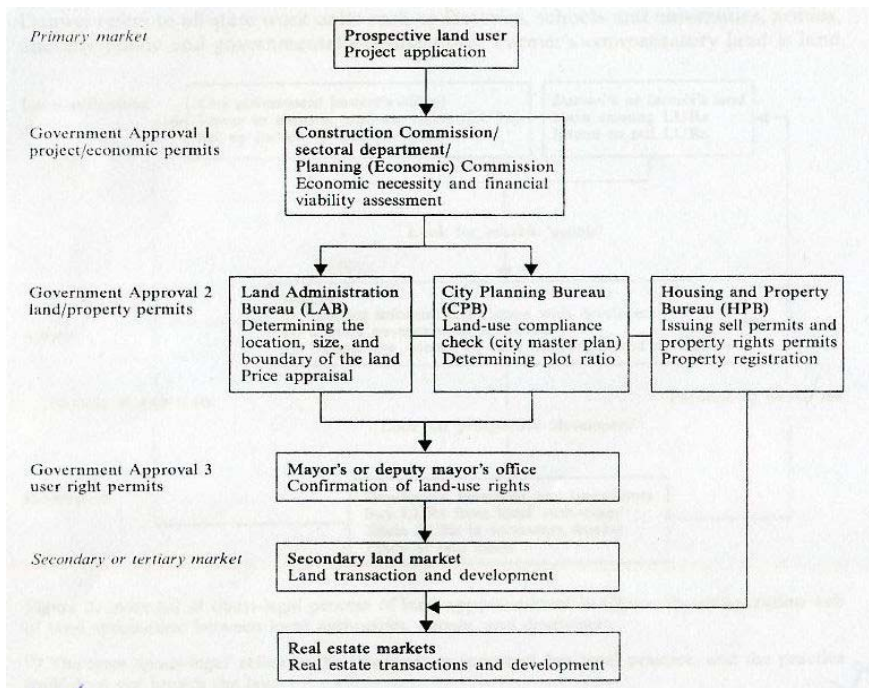
Source: Beijing Municipal Land Bureau

### 3.3.2 Institutions for Rural-Urban Land Conversion Approval

The occupation of agricultural land by urban development became a serious problem in China along with the rapid economic development. Paid transfer of urban land use right and the real estate market have been established since 1987. In Yeh and Wu (1996), there were three types of transactions related to the rural land in the land market of China after the land reform, namely, acquisition of rural land by work units for project-specific development, acquisition by the municipal government for comprehensive development and land leasing respectively. A work unit applies for a land acquisition permit from the municipality and pays a standard compensation fee to the farmers. In the comprehensive development, the municipal government acquires land directly from farmers, develop it comprehensively, and then allocate it to users, which are mostly work units. Otherwise, rural land is acquired by the municipal government and then leased to other users through the market mechanism of negotiation, tender and auction. The last type of land transaction is the most recent and important. However, it must be noted that the key feature of the formal land apportionment is

its “bottom-up” character. It starts with a prospective land user initiating a development proposal (Wong and Zhao 1999). As illustrated in the following figures, the proposal will have to follow formal procedures by applying for a project permit, a planning permit, and finally and Land Use Right permit from the respective government bodies. And all the permits are subject to final confirmation by the city mayor or deputy mayor.

Figure 3.4: Formal process of land apportionment in China



Source: Wong and Zhao, 1999

The formal approval process of a development project goes as:

Figure 3.5 Formal approval process of a development project initiated by private developers

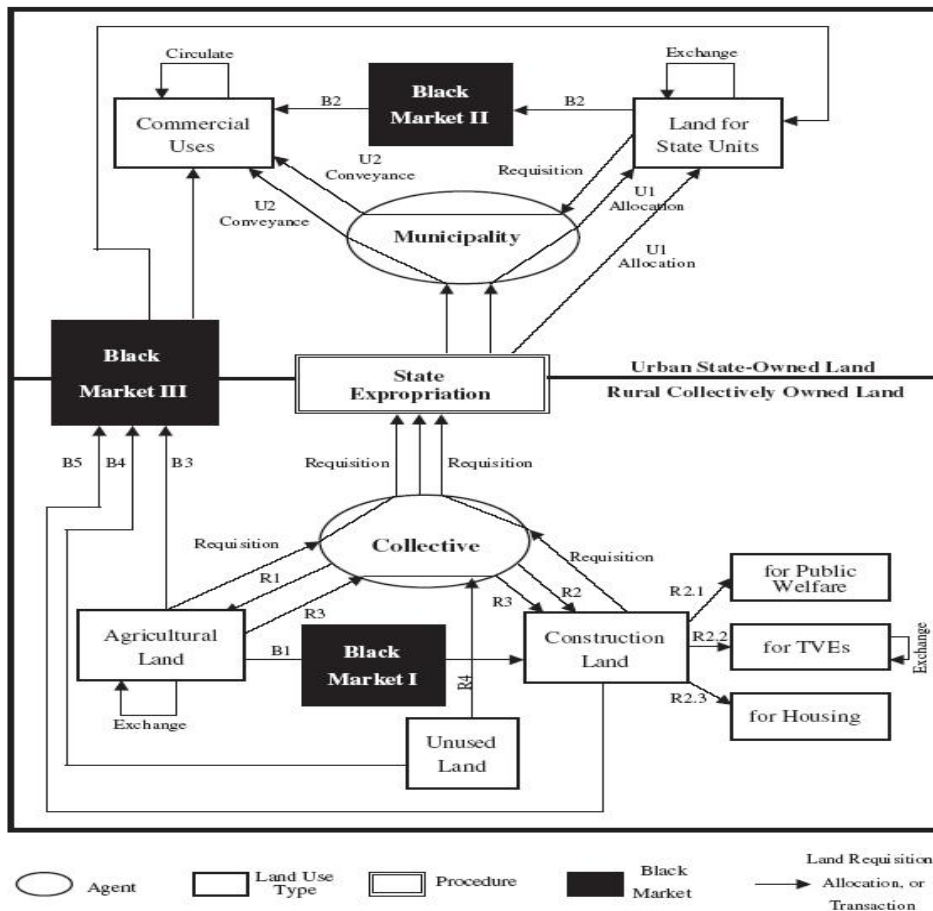
Activities by developer	Administrator
Identify development project and sign letter of intent or cooperation agreement	Private developers and cooperation party
Submit “Project Proposal”	Approval from Planning Committee
Apply for “Project Location Note”	Issued by Planning Bureau
Apply for “Construction Land Planning Permit”	Issued by Planning Bureau
Apply for State Land, sign “Land Expropriation Agreement” with the original users and “State Land Usufruct Transfer Contract”, submit 40% of land premium	
“Temporary State Land Usufruct Certificate”	Land Bureau
Construction Land Use Permit	Land Bureau

Apply for “Construction Project Planning Permit”	Issued by Planning Bureau
“Construction Project Start Permit”	Issued by Construction Committee

Source: Municipal Land Bureau of Beijing, 2003

As illustrated in the figure 3.6 below, violation of the formal or legal regulations and procedures constitute black land markets on the rural land. While the black market I is the unauthorized use of agricultural land for rural construction, this research mainly concerns with the black market III, that is, the informal conversion of rural agricultural land to commercial use land.

Figure 3.6 Land markets in China



Source: Lin and Ho, 2003

### **3.4 Institutional Setting and Situation in Beijing**

#### **3.4.1 Rural Construction Land Use**

The state also required peasants and individual enterprises needing land for construction to submit a land use application to the village committee or the township economic entity for examination and to the county government for approval. The rural construction land applicant (applicant) should first acquire the Construction Land Plan Permit complying with approved town/ township master plan. The TVE, public facilities and welfare undertaking projects should first apply to the district/ county land bureau, which pass the application on to government of the same level or to the municipal government according to the authorization limitation. Collective construction projects using up to 2 *mu* of farmland (or up to 10 *mu* of nonagricultural land) require approval of the Land Administration Bureau at the district/ county level; projects exceeding these amount require approval of the municipal government. There are also ceilings for peasant housing land. In the inner suburban areas and populated outer suburban areas, each household uses no more than 0.25 *mu* and households in other regions use no more than 0.3 *mu*.

#### **3.4.2 Rural-state land conversion**

The land use organizations have to apply to the municipal/ district/ county land bureau, which has the eligible land conversion approval authorization, for construction land with annual land construction plan and ‘construction land planning permit’ issued by the city planning authority. In terms of the approval authority, any development projects covering over 1000 *mu* arable land or 2000 *mu* other rural land have to be approved by the State Council; projects less than 1000 *mu* arable land or 2000 *mu* other rural land can be approved by the municipal government. The district/ county level government can only approval agricultural land conversion of less than 10 *mu*.

The land use organizations should pay the land compensation fee and labor allocation subsidy to the villagers who originally live on the land. The compensation fee for agricultural land is stipulated to be 6 times of the average productivity in the past 3 years. And the labor allocation subsidy per *mu* is no more than 10 times of the average of annual output of the fields. The surplus peasant labors from the land expropriated should be absorbed by developing non-agricultural jobs or town-village enterprises. The disposal of the total compensation should be decided jointly by the district/county government and town/township government/ village collectives. The joint enterprises co-invested by state- owned or urban collectively owned enterprises and rural collective economic organizations can expropriate rural land. The rural collective economic organizations can also use collective land use right as share.

In 1999 the Changping County was transformed to Changping District, which gave the municipal government more control power. Further in 2002 there was a power reshuffle in the planning management. Before this the county/ district planning bureau was under the government at the same level; but afterward they are vertically controlled within the sector by the municipal planning bureau. As far as land development control is concerned, the project location note is issued by the municipal bureau now, instead of the county/ district counterpart. The planning land use permit and construction project permit are in the jurisdiction of county/ district planning bureau (author's interview, 2005). Thus, the municipal government deprived the land conversion decision making power from the county/ district government.

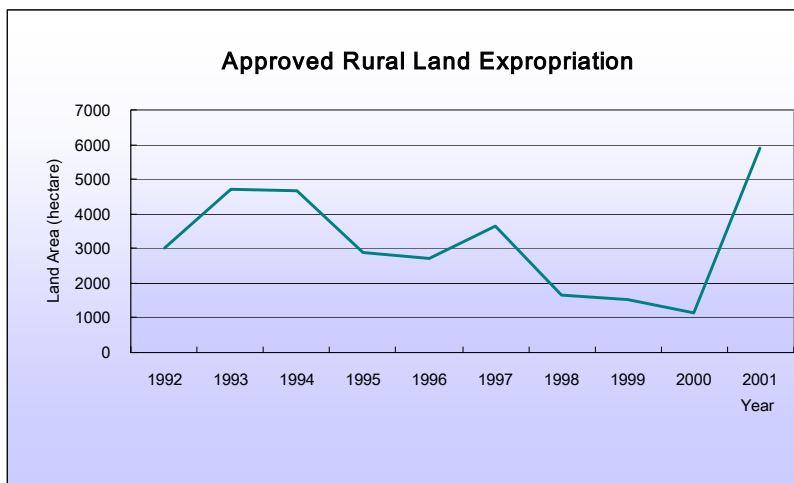
In the 1990s the rural land conversion to state land and agricultural land to rural construction land are both controlled by overall land utilization plan and annual land utilization plan, and more importantly, the hierarchical approval of local governments. Those projects without any government approvals or approvals by governments beyond their approval authorization limitation are deemed as illegal development projects. Or we can call it informal

developments. Here come the critical points – how are informal developments carried out; why there are such markets (i.e. demand for and supply of illegal projects); and the most important, what hidden rules (institutions) are.

### 3.4.3 Land Conversion Situation in Beijing in the 1990s

The figure below shows the annual expropriated or converted rural land which was approved by the municipal government. In May 1997 the State Council and the Central Committee of the Chinese Communist Party (CCCCP) announced a one-year moratorium on arable land conversion; this moratorium was subsequently extended to 1999. Due to this “shock therapy” in rural land sector, the land conversion dropped dramatically after 1997 after it reached its first peak the 1993 and 1994, but increased with the same, if not larger, momentum after the cease of national moratorium policy. The majority of land converted was arable land during the 1990s, while the rural residential land redevelopment boomed only after 2000.

Figure 3.7: Rural land expropriation approved by municipal government in the 1990s



Source: Beijing Municipal Land Bureau, 2003

However, besides to the officially approved rural land conversion, illegal land use activities are pervasive in Beijing. Because of the national moratorium of arable land, Beijing launched

a land use survey in 1997 to regulate the land market. According to the survey results, from 1991 to 1996 there had been 47,900 cases of newly added construction land in rural areas, which totally amounted to 561,000 *mu*. Among the newly converted land area, 16,000 cases (33.4%) are illegal, covering 183,000 *mu* (33.3%) (Beijing Municipal Land Bureau, 2003).

Even after the regulation in 1997, in the one year from Oct 1998 to Oct 1999, in the inner peri-urban area of Beijing, which consists of Districts of Chaoyang, Haidian, Fengtai, Shijingshan, Changping, Daxing, there had been 221 cases of newly added construction land (23,000 *mu*). 43% of them (95) belonged to illegal land use, covering 6,455 *mu* (28%) (State Ministry of Land and Resource, 2000).

From Oct 1999 to Oct 2000, 501 cases of newly added construction land (30,000 *mu*) occurred in the inner and outer peri-urban area, and illegally used land took a share of 46.51% in terms of cases and 30.67% in terms of land area. 45.3% of the total converted land area and 43.38% of the illegal land use area are arable land (Municipal Land Bureau, 2004).

It can be concluded that illegal activities took almost the same share as the approved land conversion, even after municipal government took measures aiming to control such phenomenon. Illegal land occupation and use aroused social discontentment. Although the village and town level government tried hard to prevent the villagers to appeal to municipal level government, there were still 422 appeals (38,000 *mu* and 77% is on arable land) and 209 appeals (49,100 *mu* and 92% is on arable land) occurred respectively in 2000 and 2001 (Jan to Oct). Generally villagers appeal for the land sale to developers by the cadres without their consent.

## CHAPTER FOUR

### EMPIRICAL STUDY ON LAND DEVELOPMENT

Based on the institutional background described in Chapter Three, this chapter touches down on the case study area. Firstly the expansion of Beijing urban area and social-economic profile of Beiqijia Town is given. The land use details are broken down to industrial, residential and other rural use, and the commercial projects are further investigated in terms of land conversion approval, acquisition agreement and other related issues. Largely documenting the land conversion on project-basis, this chapter is for further summary of various forms of land use legality and property rights arrangement.

#### 4.1 The development of Municipality Beijing

The Municipality of Beijing consists of 16 districts and 2 counties. According to the extent of geographical distance and economic dependency, the Extended Urban Area of Beijing is usually seen as compounding 14 inner districts (Sun, 1992; Zong, 2002a, 2002b; Feng, 2003). As the

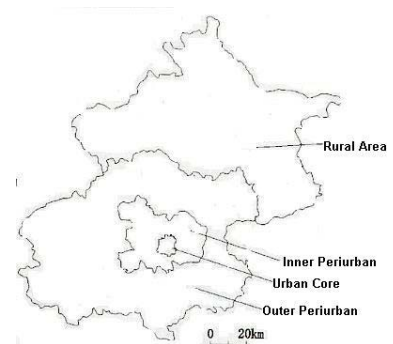


figure illustrated, the extended urban area is further divided into urban core (city proper), inner peri-urban area (Shijingshan, Haidian, Chaoyang, Fengtai districts) and outer peri-urban area (Daxing, Changping, Mentougou, Fangshan, Shunyi, Tongzhou counties and districts).

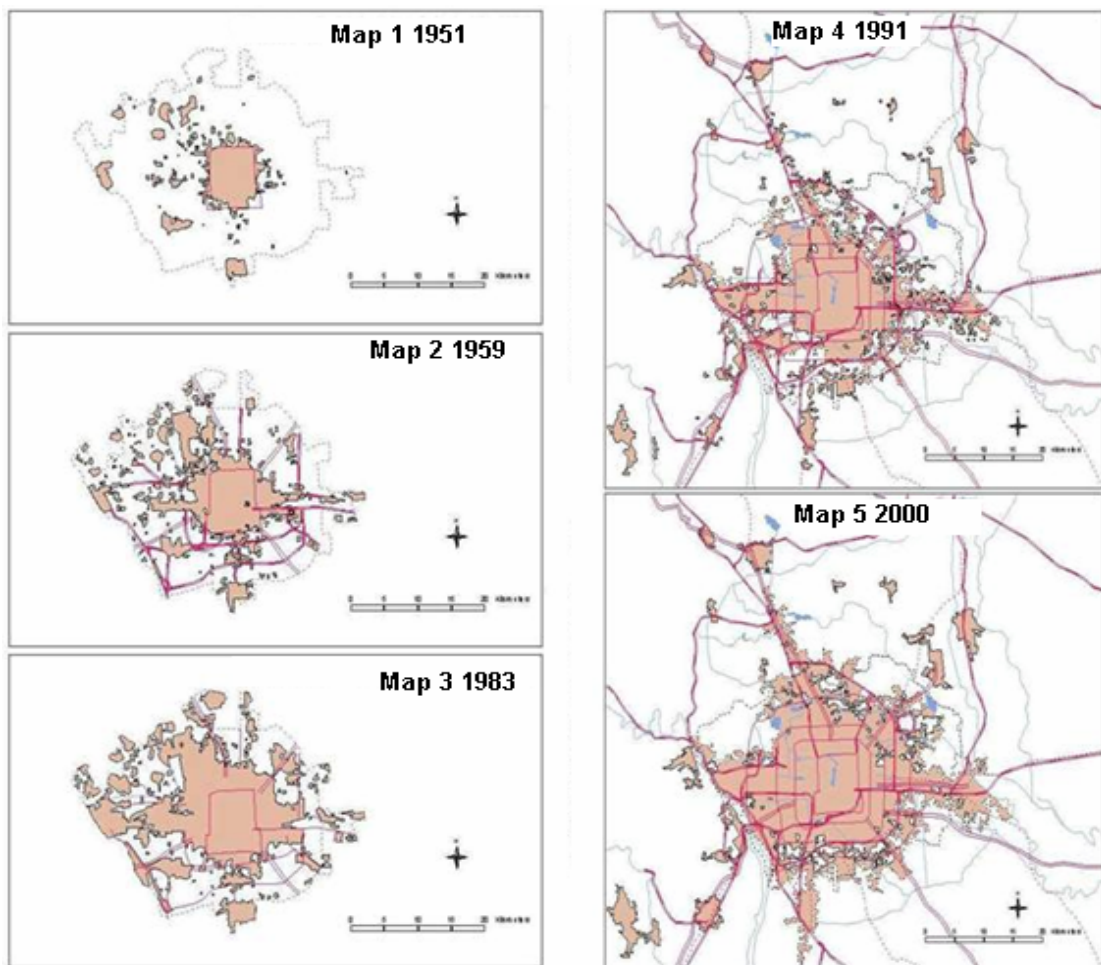
##### 4.1.1 Land Coverage Change

At the beginning of the new socialist country, the old capital city was a highly compact core surrounded by a few constellations mainly located in the south to northwest not far from the



central core. The old city proper already formed at that time is usually referred as the urban core area. The period 1951-1959 had seen large-scale heavy industry projects development, including textile manufacturing in the east suburb, electronics in the northeast, machinery and chemical plants in the southeast and metallurgy and heavy machinery in the west. This project-specific development resulted in self-sufficient work units and non-continuous land use, though not very far from the central core area. Improvement of transportation conditions connecting them to the central core largely extended the spatial structure. As time went on to the early 1980s, because the economic stagnancy there had not been much changes in terms of the size of land coverage, but more infill of blank land between existing land use.

Figure 4.1 Land Coverage change in Beijing from 1950-2000



Note: From above to bottom on the left:  
 1: Built-up area of Beijing in 1951  
 2: Built-up area of Beijing in 1959  
 3: Built-up area of Beijing in 1983

From above to bottom on the right:  
 4: Built-up area of Beijing in 1991  
 5: Built-up area of Beijing in 2000

Source: China Academy of Urban Planning & Design, 2003

Accompanied by radial and ring roads construction, the built up area remarkably enlarged. Reforms brought about rapid spatial growth in the 1980s, which is typical “corridor effect”. Fostered by outward transportation corridors completion, continuous expansion and leap-frog developments boomed. The main components of land use coverage at 1991 could be categorized as central core, growth corridors and sub-centers along the corridors. However, in ten-year vibrant economic and city uplifting in the 1990s, spatial growth was characterized by infill development between existing land use, with the city core keeping continuously expanding outward. The sub-centers in outer areas moderately grew over time, but to a far less extent compared with the city core.

#### **4.1.2 Demographic Redistribution**

Accompanying rapid growth of total population in Beijing, it experienced geographical concentration in the inner peri-urban area. According to the National Census Data in 1990 and 2000, population increase in the inner peri-urban area accounts for majority (87%) of that of the whole municipality. And the growth rate is as high as 60.15% compared with -9.5% and 12.73% for urban core and outer peri-urban area respectively. Population distribution across urban core, inner peri-urban area and outer peri-urban area was 4:3:2 in 1982, 4:4:2 in 1990 and 5:6:2 in 2000 eventually (Feng, 2003). The figures 4.2 and 4.3 below show the population growth rate, indicating that the inner peri-urban area is the most dynamic area in terms of population growth.

Such geographical concentration in inner peri-urban area is also true for the temporary population (migration/ floating population), which is of special economic meaning to Chinese cities (Webster, 2000). The economic reform and city boom had seen an influx of rural population into cities. In 1982 there were 170,000 floating people in Beijing and 600,000 in

1990. The number soared to 2.57 million in 2000. The migrants were almost evenly distributed across the urban core, inner peri-urban and outer peri-urban areas in 1982. However, the proportion became 1:3:2 in 1990 and 1: 5: 2 in 2000 (Feng, 2003).

Figure 4.2 Population growth rates of different areas of Beijing from 1950-2000

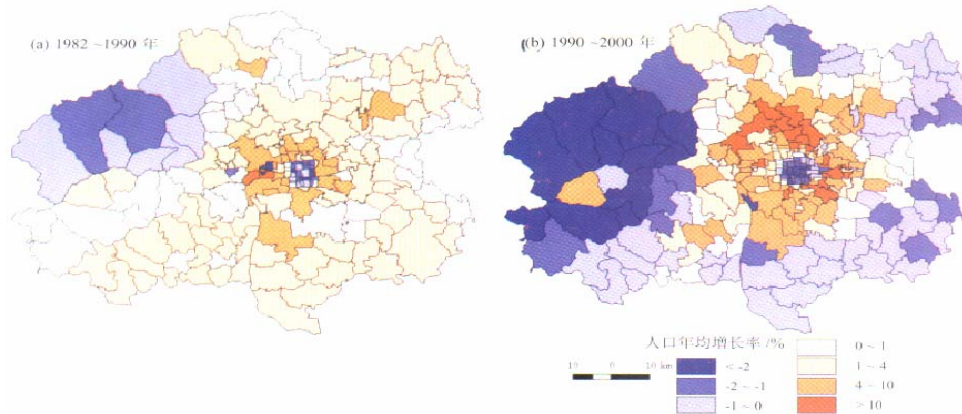


图 2 北京都市区分街区人口增长的空间类型  
Fig. 2 Spatial types of population growth in Beijing Metropolitan Area by sub-district

Regions	1982-1990		1990-2000	
	Absolute growth	Annual growth rate (%)	Absolute growth	Annual growth rate (%)
Inner City	-81637	-0.43	-221,958	-0.99
Inner Peri-urban	1,149, 145	4.34	2,399, 621	4.82
Outer Peri-urban	521,236	1.55	572,124	1.21
Municipality	1,588, 744	2	2,749, 787	2.29

Source: Feng, 2003

From the figure 4.2 above, it is clear that the areas experiencing most rapid population growth is in the inner peri-urban area, while our study area, Beiqijia Town, is in the top tier in the north.

#### 4.2 Targeted Research Area: Beiqijia Town

Figure 4.3: Geographical Location of Beiqijia Town

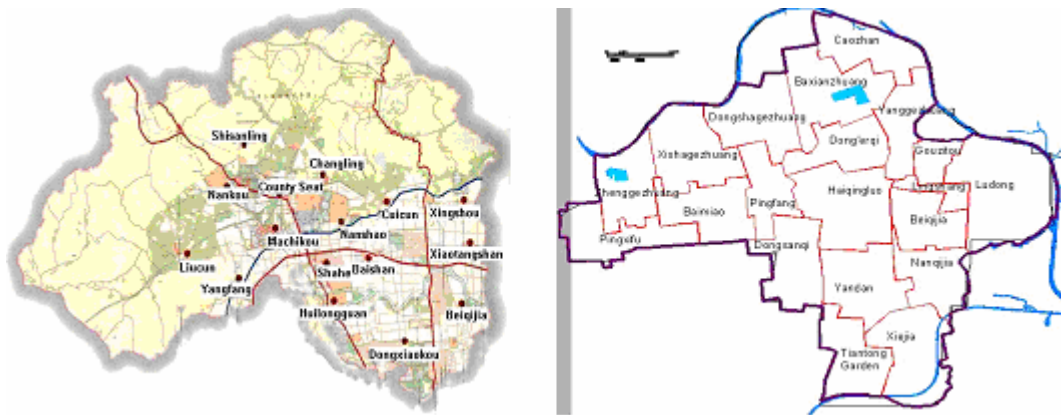
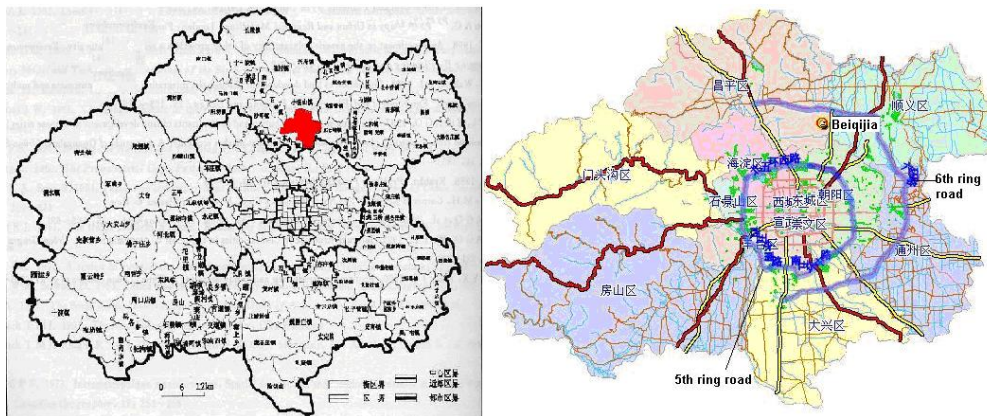
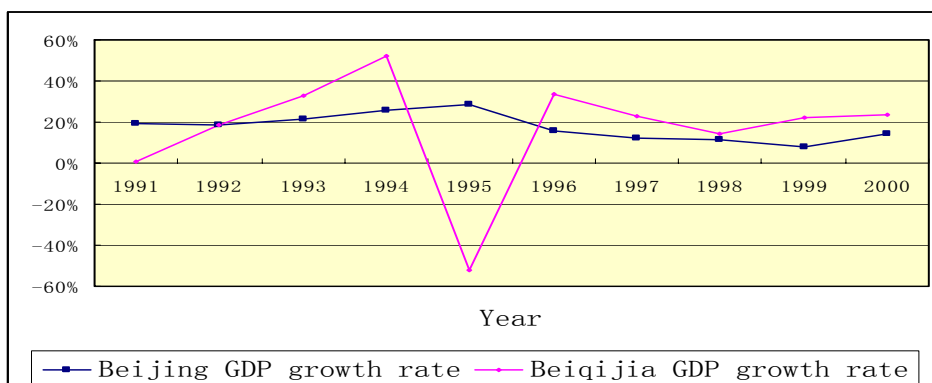


Figure 4.4: Beiqijia Location in Changping County    Figure 4.5: 21 villages in Beiqijia Town

The targeted research area, Beiqijia Town is located along north part of the central axis of Beijing and the frontier between Changping District and the city area, consisting of 21 villages. It is one of the most dynamic areas in the 1990s both in terms of both population growth and land conversion. The demographic growth rate was more than 100% over the 1990s compared less than 20% in the 1980s. While there was nearly no land conversion from rural to urban use in the 1980s (Liu, 1997), rapid and extensive development characterized the 1990s. Although it is residential development led peri-urbanization of Beijing's own characteristic (Webster, 2002), economic and social aspects such as patchy and migration-oriented development justify its representativeness as peri-urbanization research.

#### 4.2.1 Economic Growth of Beiqijia Town

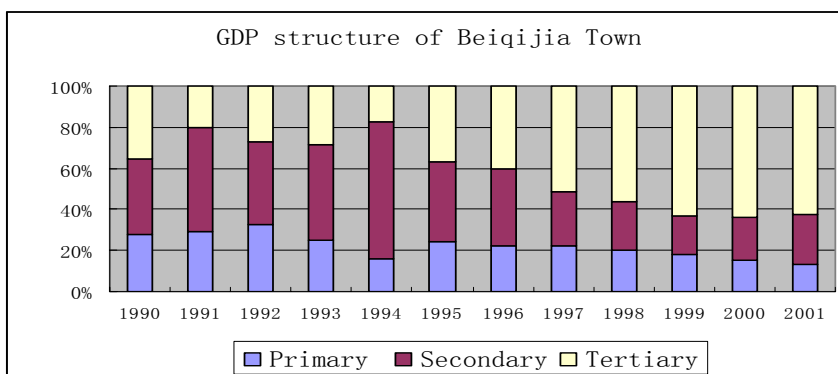
Figure 4.6: GDP growth rate of Beiqijia Town, 1991-2000



Source: Beiqijia Town government, 2003

The GDP of Beiqijia Town began to soar from the early 1990s and its overall growth rate outperformed that of Beijing during the 1990s, although there was severe up and downs around the middle.

Figure 4.7: GDP structure of Beiqijia Town, 1990-2001

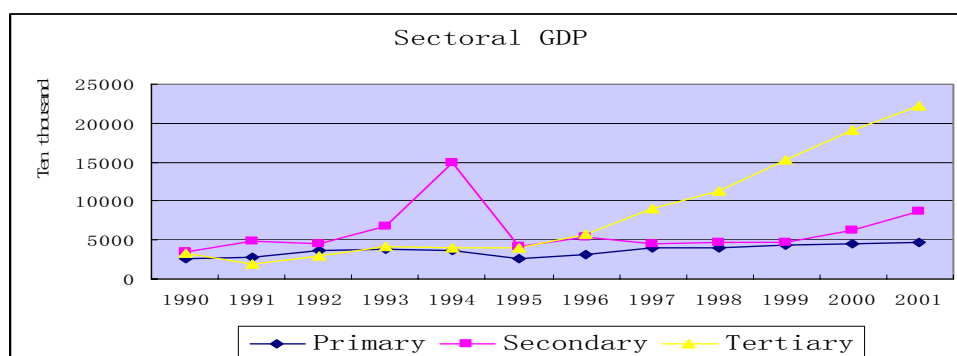


Source: Beiqijia Town government, 2003

Its structure indicates that the up and down in the GDP around the middle 1990s. The sudden growth of secondary in 1994 brought the GDP growth rate to more than 50%. However, the following year saw a sudden drop in 1995 caused another but minus over 50% growth rate. And the tertiary sector developed very fast and worked as the growth engine. The tertiary

sector took a share over of 50% of GDP ever since 1997. Such phenomenon was led by the real estate industry, contributing to the tertiary sector and construction-related secondary sector development.

Figure 4.8: Sectoral GDP structure of Beiqijia Town, 1990-2001



Source: Beiqijia Town government, 2003

In 2002 the tax revenue for Beiqijia Town is about 12.851 million, among which 60 million or 47% comes from cooperate tax of Shuntiantong Cop., the real estate development company of the municipal affordable housing project Tiantong Garden. And property tax is around 24.41million, taking a share of 19%. The tax revenue in 2000 was 36.93 million and grew 51% in the following year. In 1997 Beiqijia Town was ranked the second of economic advanced towns in Beijing Municipality and designated as one of experimental reform towns by the State System Reform Committee (Beiqijia Town government, 2005).

#### 4.2.2 Demographic Characteristics of Beiqijia Town

The population mainly consists of relocated people from inner city of Beijing and floating population from other provinces, taking up 55.14% and 33.70% respectively, while the local residents only are 11.16% (Beiqijia Town government, 2003). The population relocation is induced by the large-scale commercial housing development. East Zone of Tiantong Garden, a large-scale government “Affordable Housing” project, is in the jurisdiction of Beiqijia

Town. It accounts for part of relocated population, as illustrated in the following table. Due to the difficulty of survey, actual number is larger than that in the table below.

Table 4.1 The population constitution in Beiqijia Town

	Total	Locally registered population			Non-registered Population from other parts of the municipality	Non-registered population from other provinces
			Rural	Non-rural		
Population	232550 (170550)	25951	17778	8173	128235 (66235)	78364
Share (%)	100	11.16 (15.21)	7.64 (10.40)	3.51 (4.79)	55.14 (38.84)	33.70 (45.95)

Note: Data in brackets are statistical number excluding that of Tiantong Garden  
Source: Beiqijia Town government, 2003

From 1997 to 2002, the total population had been increasing at 38 percent annually. Both the growth rates of the reallocating people from other parts of Beijing and floating population from other provinces are as high as 51 percent, while that of the local registered population is only 7.7 percent. Especially in 2003, due to the Olympic Games construction, reallocating population from other parts of Beijing increased 46, 8000, and floating population from other provinces accrued by 35, 5000 because of commercial housing construction in the neighborhood.

#### 4.2.3 Land Use Situation in Beiqijia Town

The total land area of Beiqijia Town is 60.45 km<sup>2</sup>, and the used construction land area is 23.52 km<sup>2</sup>. The break-down of utilized land area is as the following table. The land used by the state, which takes up 12.9% of the total construction land, is mainly land administrated or occupied by state/ municipal work units or their subsidiary units such as the Officer Training School of the Ministry of Foreign Trade, Chinese Medicine Factory of Tongrentang. This kind of land

was primarily expropriated by urban work units in the 1980s, but the practice has discontinued since then. Affordable housing is the municipal subsidized housing project entitled “Tiantong Garden” targeted at low-income urban residents. The project converted two villages in Beiqijia Town to urban land uses. Commercial housing land (23.1% of the total construction land area) refers to residential units developed by professional development companies for sale in the market for profit. There are 30 middle-high end residential communities, total floor areas amounting 2.6 million square meters. And the housing stock evenly consists of two types of villa and apartment (Beiqijia Town government, 2003).

Other types of construction land take the largest share in the construction land category. They include peasants housing land and land managed by the town government, such as industrial land in the development zones. The peasant housing land takes up 5.81 sq. km (24.7% of the construction land). In terms of land use type, residential land use accounts for around 60% of the construction land area.

Table 4.2: Land Use in Beiqijia Town in 2003

Category	Area (10,000 M2)	Share of construction land (%)
Residential	1444.03	61.43
Public facilities	202.50	8.61
Industrial	341.56	14.53
Storage	75.74	3.22
Transportation	135.20	5.75
Road & square	84.57	3.60
Municipal public facilities	7.18	0.31
Special use (Military)	60.02	2.55
Construction land	2352.00	100.00

Source: China Academy of Urban Planning and Design, 2003

Table 4.3: Categorization according to the land use types in 2003

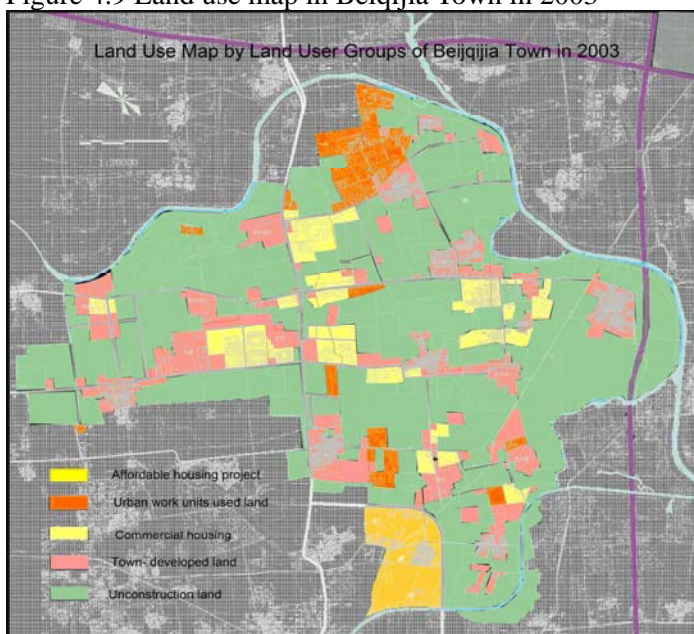
	Land Area (sq. km.)	Percentage (%) of Construction Land
Total	60.45	-
Construction Land	23.52	100
Urban Work Units Used Land	3.03	12.9%



	Affordable Housing	2.66	11.3%
	Commercial Housing	5.44	23.1%
	Industrial Land	3.42	14.5%
	Rural Residential Land	5.81	24.7%
	Other Construction Land	1.23	5.3%
	Expressway & Road Land	1.93	8.2%
	Non-construction Land	36.93	-

Source: China Academy of Urban Planning & Design, 2003

Figure 4.9 Land use map in Beiqijia Town in 2003



Source: China Academy of Urban Planning & Design, 2003

As indicated here, a large share of more than 60% of the construction land is contributable to the residential sector. The second largest is the industrial land use 14.5%. Putting two together, it accounts for 75%. Thus it is reasonable to focus on the two groups of land use. To conduct preliminary investigation, the main land development types can be roughly broken down into the following 4 groups, which will be scrutinized respectively.

- Industrial land (14.5%)
- Rural village housing (24.7%)
- Affordable housing (11.3%)
- Commercial housing (23.1%)

It is shown that Beiqijia Town is of characteristics as inner peri-urban town of Beijing, that is, residential-led development. Yet, more common issues such as piecemeal development, floating population, social transformation and environment degradation justify its peri-urbanization research meaning. In the rapid transformation from rural to peri-urban area, what actors are involved and how the property rights on land is displayed during the interaction between these actors that would foster the physical output and any social inequity? Are problems like industrial zone fever and black land market obvious here? To carry out such a research in the chaotic and rapid developing area, the author would like to trace the development process of property on the land and explore the actors involved and property rights arrangement.

#### **4.3 Land Development in Beiqijia Town**

Development process approach is taken in this research, which basically involves the land acquisition, planning permission and marketing etc. Land use and development condition data is organized on project basis. The main data sources are the municipal authority's archival records, interviews with local cadres as well as officials in land and planning administration and direct observation in the field trip. Based on the census of commercial residential and industrial projects currently in Beiqijia Town, the author tries to find out the land acquisition data behind them, as expropriation is required if rural land is to be put into commercial uses and expropriation is supposedly to be recorded by the municipal land bureau. Nationwide cadastre survey was carried out in the in 1997, and all the informal development was detected and recorded. As will be revealed later, most of development projects are informal in the sense that they lacked permit for rural land expropriation issued by the municipal authority. Thus the land expropriation records, including legal and illegal cases, are the primary data source of this research. The fieldtrip and interviews further deepen the author's understanding of the land development in the area.

In China, government archives and interviews are more important and reliable than statistical data, though not easily accessible. Records of rural land expropriation issued by the Municipal Land Bureau are scrutinized. Author's fieldtrip and interviews with local town and village cadres effectively caught up the knowledge gap of the rural construction land development, but no quantitative data is handy.

Due to the data limitation, this research mainly focuses on the land acquisition session in the whole development process. From the land use situation data, it is clear that the residential and industrial land uses take lion's share of as much as 76% among the total construction land, while the other land uses are supporting facilities for either residential or industrial land use. Thus the analysis focuses on the residential and industrial land.

#### **4.3.1 Industrial Land Use**

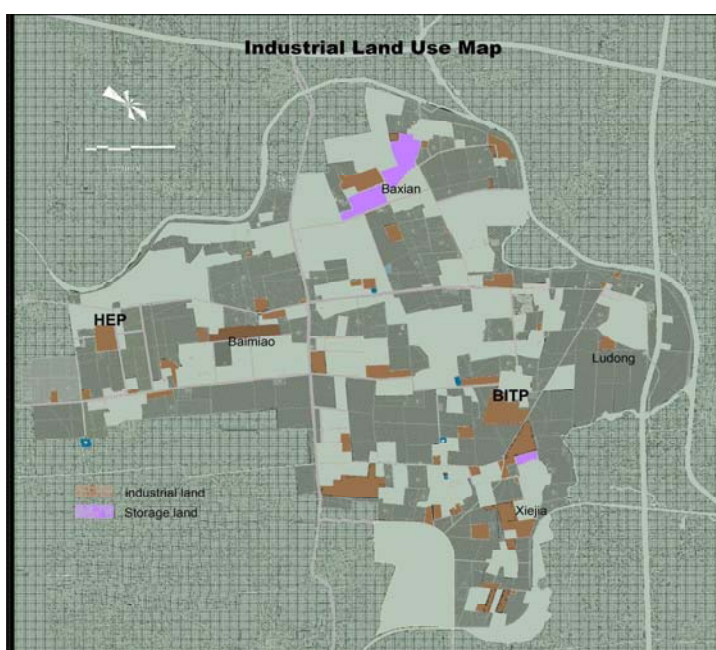
Industrial land is developed either by the urban work units in the 1980s or by the local. For the former, most of industrial land developed by the urban work units is warehouse buildings; while for the latter, there are currently "two parks and four zones" in the industrial sector. The two parks are respectively Beiqija Industrial & Technological Park (BITP) and Hongfu Enterprise Park (HEP), both being among the 55 key industrial zones designated by Beijing Municipality and given favorable policies entitled to the national-level Zhongguan Village Technological Park. The BITP was established in 1992, and there were 14 enterprises in it in 2003. The HEP was opened in 2000, now with 13 manufacturing firms operating in it. The four zones refer to Baimiao, Baxian, Xiejia and Ludong village-level industrial clusters, which totally host 73 enterprises and most are construction firms. The 4 zones at village level are basically very small in size and geographically scattered.

Table 4.4: Basic information on the industrial zones in Beiqijia in 2003

	No. of enterprises	Annual output (million yuan)	> 10,000,000 yuan	
			No. of enterprises	Annual output (million yuan)
Two parks	27	4391.5	12	4150
Four zones	73	4472.4	13	3580
Other industrial clusters	115	4867.3	7	3650
Total	215	13731.2	32	11380

Source: Beiqijia Town government, 2003

Map 4.10: Industrial land use map



In the early 1990s, there was an explosive boom of development zones in China cities. Local governments all over the nation set up numerous development zones with titles such as “Economic and Technological Zone (ETDZ)”, “High Technology Development Zone” and so forth. According to the China State Land Administration (SLA), there were 2700 development zones at the end of 1992 compared to only 117 at the end of 1991 (SLA). The development zones have various levels of judicial approvals, ranging from central government down to town government, even with no approval. The central government cleans up or issues unfavorable policies from time to time since the mid-1990s and most recently in 2004. The

local governments are supposed to provide public services and infrastructure such as land grading, electricity and so on. In general, national development zones are better planned and managed than those with lower levels of approval. In 1996 vacant land in provincial-level zones accounted for 42.8% of total vacant land in all development zones. Those zones without approval had 44.2% of vacant land. A large portion of vacant land is farmland, especially in the Eastern Region (Deng, 2004).

	Jobs	Land	No.	of	Annual	> 10,000,000 yuan
--	------	------	-----	----	--------	-------------------

Table 4.5: The basic information of industrial land use in 2003

			area (hectare)	enterprises	output (million yuan)	No. of enterprises	Annual output (million yuan)
Two parks	BITP	305	17.79	14	881.5	3	850
	HEP	1866	21.71	13	3510.0	9	3300
	Total	2171	39.50	27	4391.5	12	4150
Four zones	Baimiao	405	16.40	15	1311.7	7	1120
	Baxian	127	10.86	12	1164.0	3	1010
	Xiejia	698	34.14	37	1785.5	3	1450
	Ludong	363	4.87	9	211.2		
	Total	1593	66.27	73	4472.4	13	3580
Other industrial clusters	Pingxifu	291	9.30	13	1071.3	1	900
	Dongsanqi	446	29.97	13	947.7	2	750
	Xishage zhuang	267	24.35	11	1250.0	3	1000
	Haiqingluo	334	10.13	14	1114.5	1	1000
	Nanqijia	350	44.1	14	166.5		
	Beiqijia	187	8.5	10	119.0		
	Yandan	160	5.63	8	68.5		
	Pingfang	232	2.35	4	44.0		
	Caozhan	125	4.06	8	30.0		
	Lingshang	20	0.47	2	25.0		
	Dongshage zhuang	92	2.53	8	12.8		
	Yangge zhuang	63	1.27	3	11.0		
	Gouzitou	10	0.17	1	5.0		
	Dong'erqi	35	3.79	6	2.0		
Total	2612	146.61	115	4867.3	7	3650	
TOTOAL	6376	252.39	215	13731.2	32	11380	

Source: Beiqijia Town government, 2003

Initiated by the town government, the BITP was a town-level industrial zone approved by related municipal and county authorities. In 1992, the town government formulated the strategy to resort to land development to boost economic performance. Accordingly, the fifteen-year overall development plan (1996-2010) was compiled, which encapsulated the industrial and technological development zone plan and old village redevelopment program.

The BITP obtained the in-principal approval from the Beijing Municipal Economic Planning Committee, while the Changping County Economic Planning Committee and Beijing

Municipal City Planning Bureau both gave their approval respectively in 1992 and in 1993. According to the land expropriation archives in the municipal land bureau, there had been 10 cases of land acquisition from farmers in the BITP in the period from 1992 to 2003. Before 1997, the year when the rural land use audit was carried out in Beijing, 8 industrial sites were developed, in the form of leasing to manufacturers after land leveling by the management company. However, all of them were informal projects, without any land use approvals from town or higher level governments. For individual land plot, there was no approval from higher levels of governments, except the Changping County Economic Committee approved the project registration. The Beiqijia NorthAsia Industrial Technological Development Group (Beiqijia Industrial Group hereafter), which is subsidiary to the Beiqijia Town government, played a critical role in the land use dynamics of the BITP. By signing contract with and paying compensation fee to the local villagers, Beiqijia Industrial Group expropriated rural land and leased it to land-using firms directly. The compensation fee paid by the Beiqijia Industrial Group was RMB 10,000 or 20,000/*mu*, to the village collectives (village committees as the acting agent). The expropriated land was deemed as state land in the contract, so the compensation fee to the village collectives is one-off. In addition, the Beiqijia Industrial Group acquired the land plots in accordance with development projects, instead of the planning area. Such mechanism gave it saving on land cost and discretion on the timing of expropriation, leaving the village collectives in much disadvantage.

However, after land leveling and basic infrastructure supply, the Beiqijia Industrial Group sell the land plot use rights to individual land users at a much higher rate on a 50-year industrial lease term. The land lease premiums asked by the Beiqijia Industrial Group also differed with various payment forms. The first form was stereotype of land lease, such as the Beijing Baohua Lien Computer Company plot, and the rate was RMB 250,000/ *mu* in 1997. According to the contract provisions, the Beiqijia Industrial Group was supposed to take care of project registration and planning approval for land leaser, as well as the infrastructure provision. The second rate was effective if other forms of compensation were offered by the

land user, e.g. the Blue Cross Biological Technology Company plot developed in 1997. On the basis that Blue Cross was to buy 30 housing units (3,000 sq.m.) from the Beiqijia Industrial Group, the land lease rate was RMB 130,000/mu, which was almost half of that in the above case. Obviously the Beiqijia Industrial Group would make profit from housing construction. The third circumstance occurred when the Beiqijia Industrial Group set up a subsidiary company for joint venture with external companies, and the Beijing Jiuyuan Liquefied Gas Company fell into this category. Indigenous company was to provide business space and government approvals, while Zhonghai Industrial Company, the external partner, was responsible for operation and management. 60% of the revenue was claimed by the Beiqijia Industrial Group, while the rest went to the other side.

After the new institution regarding land expropriation came into effect in 2000, the individual land-use firms are the party which expropriates land from and compensates the local villagers, instead of the Beiqijia Industrial Group. There were several bans from central government on industrial zones during 1997 to 2003. As a result, the land approval by governments changed from industrial zone-based to project-based, which means land not occupied by the manufacturers is still belong to the peasants, but the Beiqijia Industrial Group pays an amount to them for an option to expropriate when necessary (author's interview, 2005). Also the compensation fee paid to the village collectives increased to RMB 100,000/mu in 2003, from 20,000/mu back in 1997.

In Zhenggezhuang Village, Hongfu Enterprise Park (HEP) is opened by a formerly village collective enterprise, which later changed into a limited joint-stock group, Hongfu Group. So strictly speaking, the Hongfu Group is not a town and village enterprise. The group rents land from the village collective and leases it to land users, and it even made a land use plan on the village land. Also the group developed commercial housing, industrial, hotel and tourism projects. The village collective holds fixed shares of 16.6% of the group, which can not be sold and derive dividends every year investing in public facilities and distributing residential

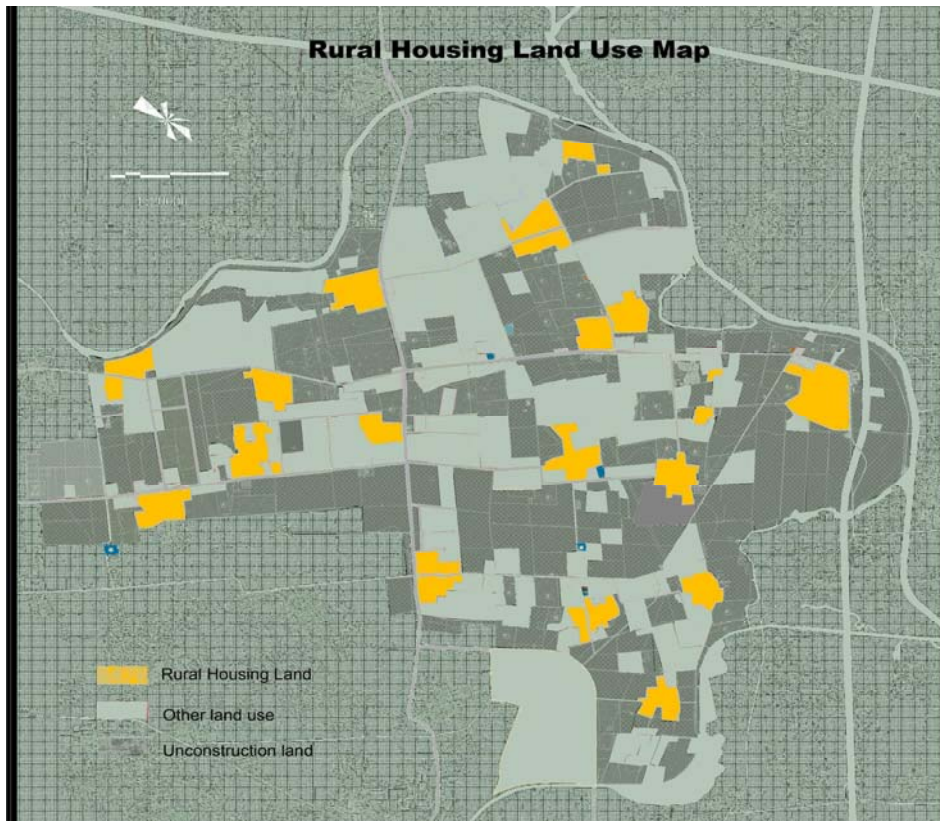


welfare. The Group is responsible for the villagers' employment and all the cadres are working in the companies under the Group, only 3 as full-time administrative staff. The peasant collective entrusts the village committee to manage the land, who in turn leased to the Group at a low rate. The welfare of villagers is better than that of other villages and they feel contented with such management (author's interview, 2005).

#### **4.3.2 Rural Village Housing Land Use**

The conversion from agriculture land to construction land needs to follow the Overall Land Utilization Plan and the agricultural land conversion quota in the Land Utilization Annual Plan. Those who want to occupy rural land for non-agricultural construction use need to get approval from the municipal or district/ county government and be granted the rural collective land usufruct certificate. The land beyond the conversion plan needs approval from province/ provincial city government.

Map 4.11 Rural housing land use map



<Beijing Regulation on Implementing “Land Administration Law”> (came into effect from June 1, 1991) depicts the formalities of rural construction land use. The three kinds of rural construction land, which are for TVEs, public welfare undertaking, and for peasant housing, need district/ county government to issue Collective Land Usufruct Certificate and are respectively controlled by annual use quota. The district/ county government is entitled to approve less than 2 *mu* arable land, or less than 10 *mu* other land for the three kinds of construction land use. Land occupation exceeding these amounts should be approved by the municipal government. Rural residents who conduct new housing construction should use the original housing land, or unoccupied land in the villages. Arable land use is strictly prohibited. The housing land per household should not exceed 0.25 *mu* in the inner suburban areas and 0.3 *mu* in other areas. And using collective land for commercial development is strictly prohibited.

There were no specific regulations on old village redevelopment, except that for the green belt

construction area. The general provisions are that the municipal land bureau releases annual land quota for villagers housing construction to the districts/ counties in suburban area, and those villages located in the planning city region can build village housing building according to the city master plan and under the approval of city planning administrative department, but they can not conduct land and housing commercial development.

In Beiqijia Town, old village redevelopment was promoted by town government as an economic strategy. The houses are either occupied by the villagers not yet relocated to new units or rented out to floating population. Old village redevelopment is a strategic initiation taken by the town government. By tearing down villagers' houses, spare land is sold to private development companies and companies would build commodity houses for the market, as well as providing separate dwelling units for the villagers. Working as coordinator in the land transfer process, the town government usually cooperated with the developers. In terms of the government approvals, there are still different commercial development types, which are discussed in detailed in the commercial housing section.

As indicated in the demographic statistics, the number of floating population is on the increase, and they mainly work in the construction industry. The Dongsanqi Village on the south border of Beiqijia Town is a special case. Due to the existence of broadcast equipments nearby, development activities are not allowed beyond certain height limit. As a result, the villagers in Dongsanqi Village built shabby housing to the maximum land limit to accommodate the floating workers. Also these house are temporary and of low quality (as shown in the photographs below). Planning and provision of infrastructure and public facilities are poor, which shapely contrast with the nearby high-middle end commercial housing area. The difference in the tenant is dramatic as well.

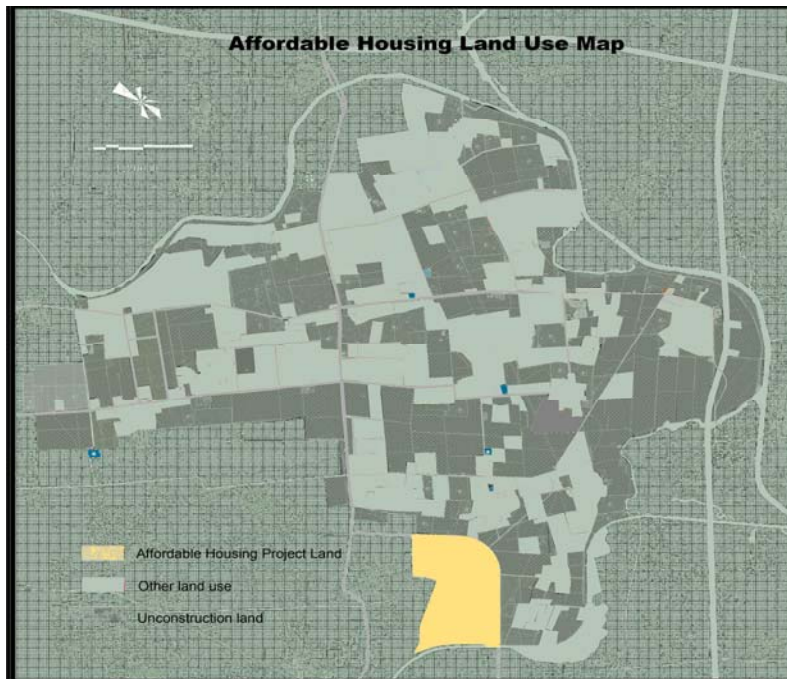


Photo: Rural housing for rent 1 and 2 (taken by author, 2005)

#### **4.3.3 Affordable Housing Land Use**

There are two public projects in Beiqijia Town, which are a large-scale affordable housing project and an expressway construction. The basic procedure of public projects, regardless of land use types of welfare housing projects, infrastructure construction and other non-commercial projects, is similar. The land is allocated free to the developers on the condition that the housing price would be kept low. The developer is responsible for the compensations to the local villagers who were originally using the land. The town government representing the villagers negotiated with the developer about the compensation rate (author's interview, 2005). The one-time compensation is in the form of offering them newly built house units on the original land, but not like the state units in the planning economy era, the developer does not provide employment positions to the villagers deprived of land. After completion, the majority of affordable housing project is sold at a subsidized price to the urban residents. The buys are supposed to meet some standards thus be eligible to buy the subsidized housing.

Figure 4.12 Affordable housing land use map



Geographically the large municipal project is compact and extends continuously from another town to the south of Beiqijia Town, which is totally covered by the project. The yellow part at the southwestern of the figure 4.12 above is the affordable housing projects. In contrary to the piecemeal spatial pattern of the rest development, it is well-planned and spatially continuous with clear boundaries. The buildings are very high-density and accompanied by serious traffic jam. The lifestyle of the former rural residents is turned into urban type, which is typical top-down urbanization.

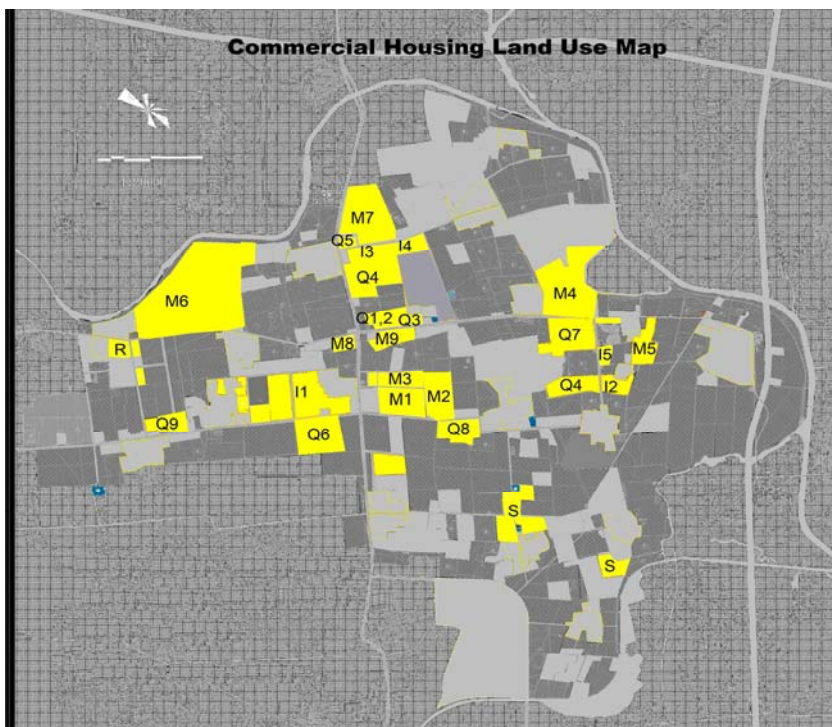
In all this type of land development is relative simple in terms of actors involved and process. The municipal government conducts compulsory rural land expropriation and allocates it for free to designated developer, who is responsible to compensate the original land users villagers and the compensation is done by negotiation between the developer and the town government and is in the form of new housing units for villager households in the developed buildings.



Photo: Affordable housing project land 2 (taken by the author, 2005)

#### 4.3.4 Commodity Housing Land Use

Figure 4.13: Commodity mercial housing land use map



Due to its location of being near to built-up area, Beiqijia Town hosted many development projects ever since the real estate development upsurges in China in 1993/4. Besides the top-down force from the urban state, there are also many individual projects initiated by various non-government units. From the above Figure 4.13 of commodity housing land use

map, it can be found that the projects are scattered spatially, with huge variation in the land areas. Table 4.6 shows the varieties are also in terms of developers, land use approval authorities, and the forms of signing of land development agreement and land expropriation contract.

Table 4.6: Basic Information of Commodity Housing Projects in Beiqijia

No.	Code	Project	Land Area (hectare)	Development Time	Developer	Land approval	Development agreement	Land acquisition agreement
1	S	Yan-city Garden I, II & III	17.05	1996-2000	Beijing City Construction Group (SOE)	Approval from municipal level SOE worker housing project	SOE vs municipal government	Developer
2	R	Hongfu Garden	12.11	1997	Hongfu Group (TVE)	Rural construction land by TVE	NA	Developer
3	I1	Berlin-on-line	6.31	2000	Private developer (Zhongyuan Zhengtong)	No approval from county level or above	NA	Developer
4	I2	Marine Fort Garden	12.20	1996	Private developer (Longyang)		Developer vs town government	Developer; Pay from town government
5	I3	Spring Garden	34.69	1992	Pingxifu Industrial Company (town-subsiary)		Developer vs Pingxifu Industrial Company	Town government
6	I4	NorthAsia Garden	10.39	1994	Beiqijia Industrial Company (town-subsiary)		Developer vs town-subsiary Industrial Company	Town government
7	I5	Empire Scenery Garden	4.20	1995			Developer vs town-subsiary Industrial Company	town-subsiary Industrial Company
8	I6	CPPCC Recreational Center	10.726	1996	Development company subsidiary to CPPCC		Developer vs town-subsiary Industrial Company	Developer
9	I7	Wenxi Apartment	13.54	1994-1996	Private developer		Developer vs town government	Developer
10	I8	Yuanzhongyuan villa	26.32		(Fazheng)			



11	I9	Jingshan Primary School	12.01						
12	Q1	Palace Apartment	9.14						
13	Q2	Westlake New Village	10.00	1995	Private developer (Qianglong)	County level approval	Developer vs town government	Developer vs town government & village collective	
14	Q3	Peach Garden Apartment /Peach Blossom Garden	8.04	1994/1996	Private developer (Zhongxing Economic Development Company)		Developer vs town government	developer	
15	Q4	Mingrenju	3.71	1995	Private developer (Hanlun)		Developer vs town-sub subsidiary Industrial Company	town-sub subsidiary Industrial Company	
16	Q5	Penglai Apartment/ Penglai Garden	45.77	1993	Penglai Property Company (town-sub subsidiary)		Investor vs town-sub subsidiary Industrial Company (developer)	town-sub subsidiary Industrial Company	
17	Q6	Kangju New Village	16.12	1995					
18	Q7	Wangfu Garden	32.97	1993	Private developer (Wangfu)		Developer vs town government	Town government	
19	Q8	Baxian Villa	41.54	1994	Private developer (Baxian)		Developer vs town-sub subsidiary Industrial Company	Town government	
20	Q9	Celebrities Garden	22.78	1994	Private developer (Celebrities)		Developer vs town government	developer	
21	M1	Guanya Garden	7.71	1997	Private developer (Beijing Shangjian)		Municipal level approval	-	developer
22	M2	Wangdu Home Garden	15.48	1999	Private developer (Taige)				
23	M3	Mingjia Garden	30.43	2002	Private developer (Jialong)				
24	M4	Meishu Holiday Garden	20.26	2002	Private developer (Xinpujiyuan)				
25	M5	Venice Garden	27	2002	Private developer				

					(Yufadongrui )			
26	M6	Oriental Provence Villa & Laffitte Castle	68.18	2002	Private developer (Baxian)			
27	M7	Dahua Manor	7.45	2002	Private developer (Dahua)			
28	M8	One Thousand Villa	183.29	2003	Private developer (Collaboration between Hongfu and Shouchuang)			
29	M9	Vancouver Forest	71.072	2003	Private developer Collaboration between Maple Tree and Shou Chuang			

Note: CPPCC --- Chinese People's Political Consultative Conference

The table also includes those projects not finished. The criterion is the land expropriation approval records from the municipal land bureau.

Column "development agreement" refers to the land development cooperation agreements which are usually signed the two sides, each providing certain resources (production elements, such as capital and land) to accomplish the development process. In our case, the two sides are normally external developers/ investors versus the town governments/ subsidiary companies of town governments.

Column "land acquisition agreement" refers to the party who is sign land expropriation contracts with the corresponding village collectives. In our case, it is the external developers or the town governments/ subsidiary companies of town governments.

Source: Beijing Municipal Land Bureau, 2005

In a commodity housing project with the aim of pursuing profit, the developer usually is the most important player, who initiates and proposes projects, acquires land, motivates resources by cooperation and collaboration, and seeks revenue to the maximum possibility. On the other hand, in the land development market, developer is the demand side, which in turn induces land supply behaviors, accompanying land use approval and expropriation etc. Thus this research tries to analyze by grouping the developers firstly. Broadly speaking, the developers can be categorized into indigenous and external ones according to their origins, which dictate their accessibility to various resources and connections to the local government.

- Indigenous Developers

The first group, local developers are either development entity originated from town-village enterprise or town government subsidiaries. Those indigenous developers include Town and Village Enterprises (TVE, in this case Hongfu Group) and town-subsidiaries (Beiqijia and Pingxifu industrial companies, Penglai Property Company). There are 6 projects involving the indigenous developers, all undertaken independently. The following table includes the information on these 6 projects. We can find in the context below that these projects are illegal in the sense that they are using land not approved appropriately, some of which even did not have the approval from the county government, the lowest level of government with the authority of approval land conversion.

The Beiqijia Town was merged from two towns, Beiqijia and Pingxifu, and one township, Yandan. The two former towns had their subsidiary industrial companies. The Beiqijia and Pingxifu industrial companies initialed two and one residential projects respectively, while the former was also the organization in charge of the development of Beiqijia Technology and Industrial Park (BTIP). Beiqijia Industrial Company was restructured to NorthAsia Industrial Group later. The NorthAsia Garden, so named of the developer, was given special and favorable policy package by the town government with town household registration status to the buyers from other provinces.

Table 4.7 Projects undertaken by indigenous developers

No.	Code	Project	Land Area (hectare)	Development Time	Developer	Land approval	Development agreement	Land acquisition agreement
2	R	Hongfu Garden	12.11	1997	Hongfu Group (TVE)	Rural construction land by TVE	NA	Developer
5	I3	Spring Garden	34.69	1992	Pingxifu Industrial Company (town-subsiary)	No approval from county level or above	Developer vs Pingxifu Industrial Company	Town government
6	I4	NorthAsia Garden	10.39	1994	Beiqijia Industrial Company (town-subsiary)		Developer vs town-subsiary Industrial Company	Town government
7	I5	Empire Scenery Garden	4.20	1995			Developer vs town-subsiary Industrial Company	town-subsiary Industrial Company
16	Q5	Penglai Apartment/ Penglai Garden	45.77	1993	Penglai Property Company (town-subsiary)	County level approval	Investor vs town-subsiary Industrial Company (developer)	town-subsiary Industrial Company
17	Q6	Kangju New Village	16.12	1995				

The Hongfu Group, as discussed in the section of industrial land use, was privatized from a former village collective enterprise and now a sole and active developer on the village land. As part of the comprehensive development encompassing industrial, hotel, recreational and residential projects, Hongfu Garden accommodates both the workers in the vicinity and those commuting to city area, and villagers deprived of housing land as well. The Hongfu Garden by the Hongfu Group is part of Hongfu Enterprises Park area, housing both the local villagers and external commercial house buyers. All the projects by the town-subsidary industrial companies have no approval from the governments, which means the town government was making decision without regulations from any higher authorities. Actually the form of town industrial companies was popular in the early 1990s and executed various economic initiations on behalf of the town government. And the fact that the town-subsidary developers did not seek approval from higher governments indicates that they had privilege on the access to and control on the local land. On the other hand, the two projects undertaken by the Penglai Property Company had the project registration, land and planning approvals from the county but not the municipal government. The town subsidiary companies usually develop in alliance with other developers, while they just contribute the land and benefit.

The Spring Garden, with no approval from higher governments, is a typical project by indigenous developer Pingxifu Industrial Company. The land expropriation contract was signed between the Pingxifu Town government and the villager committee in question. And it is stated clearly that the town government expropriates the rural land in the targeted village for the need of developing socialism with Chinese characteristics. After the expropriation, the village has no rights on the use and disposal of the land. However, actually there were another four outside investing parties. In the rural land use audit in Beijing in 1997, a fine is charged on the Spring Garden project. According to the contract between Pingxifu Industrial Companies and the four external investors, the external investors are to take care of the fine, which was 4,358,500 *yuan*, while the

government-linked Pingxifu Industrial Company takes the responsibility of the violation activity. It can be conjectured that the investors enjoyed other unstated interests from the project.

Both of the two projects, NorthAsia Garden and Empire Scenery Garden, by the Beiqijia Industrial Company, are cooperation projects between Beiqijia Town government and external developers. Due to the financial collapse of the external companies, the two projects respectively paused at the end of 1997 and beginning of 1998. The original developer went bankrupt and arrested, the project was confiscated. After obtaining consent from Changping County government, the Beiqijia Town government took over the two projects. Both the two projects were approved by the county government. It is noteworthy that preferential household policy is given to the unit buyers, that is, people from other provinces can get household registration status of Beiqijia Town by buying a unit in NorthAisa Garden. While this is not in accordance with the official regulation, it is obvious that the town government utilize public resource inappropriately to promote the sale of the property, to enhance the profit derived.

Both of the two projects had not gone through any approval from higher levels of authorities before they were audited in 1997. The land expropriation contracts were signed between the town governments and villager committees in both cases. It was stated that “due to the need of constructing socialist society of Chinese characteristics, the town government was to expropriate arable land from the village for real estate development”; “the lease term of the expropriated land was 70 years and it was to be at the town government’s disposal”; “the town governments were supposed to submit the state land lease premium to the ‘state’, and compensation fee to the village collectives”. The compensation rate was 50,000 RMB/ mu or 10,000 RMB/mu, both very low, respectively for the Spring Garden and NorthAsia Garden projects.

Significant difference exists between town-initiated industrial companies and Penglai Property

Company. Penglai Property Company is a project-based developer. In China project companies were once booming in numbers over the country and of distinguishable characteristics. They resulted from certain economic opportunity and served only for short-term interest consideration. Most often they were joint ventures between the party which holds the resources (such as land, planning permit, etc), and the party which injects money to realize the profit. Penglai Property Company was the collaboration between Beiqijia Industrial Company and Shenzhen Development Technology Ltd Corp (investor). In the “Collaboration Agreement on Penglai Project” signed between the two parties on May 6 1994, the compensation rate to the local peasants was 10,000 yuan/ mu and paid by the investor. Regarding on the ownership of the finished buildings, it was stated on the agreement that the buildings were to belong to the “developer”, which is not clear. Furthermore, in the land record archive in the Municipal Land Bureau, the land expropriation agreement was signed on June 24 1995, which is later than the investment agreement, and the land use activity. This unusual sequence in the land transfer process indicates that the higher level decision makers, including the county government and land developers, overrode the rights of the actual land owner --- the local villagers.

The Kangju New Village project in 1995, one year later than the Penglai New Village project, was collaboration between the Penglai Property Company and Pingxifu Town government. The land expropriation agreement was signed between the Penglai Property Company and Dongshage Village under Pingxifu Town in 1995. What is worthy note is that the compensation rate payable to the villager committee is 50,000 yuan/ *mu*, much higher than the 10,000 yuan/ *mu* in the Penglai New Village project only one year earlier. It is clear that this difference in compensation comes from the privilege on the access to land of locally originated companies. Subsidiary to the Beiqijia Town government, Penglai Property Company could enjoy much lower cost in land, than outside its geopolitical boundary.

- External developers

There are various external developers who sought their fortune in the booming land development in Beiqijia Town. They are mainly state-owned or private development companies from outside the town. Through cooperation in property development or not, they have a very good relationship with the town government. The projects are in the name of old village redevelopment, by which the spare land after densification is used to develop commercial properties. The developers pay land premium and compensation fee, which are due to give respectively to the state and rural collectives living on the land, to the town/ township government. Also some projects have approval from county planning committee and planning bureau and managed to circumvent the land bureau.

From the above discussed, all projects conducted by the indigenous town-subsidary development companies were prior to 1997, which is the watershed in terms of urban state regulation on rural land use. During the same period, there were 14 projects undertaken by external development companies, while 7 out of 14 were approved by the county level land bureau, 1 by municipal government and the rest were characterized by no approval from the county level or above (see the below Table 4.8). However in terms of developers number in stead of project number, those without any approval, 4, is less than those approved by the county land bureau, 7. A case in point, after obtaining land use usufruct from county government and conducting the first project in Beiqijia Town, Zhengfa Development Company continued with another 3 projects without seeking any approval, with the permission of the town government.



Table 4.8: Projects undertaken by external developers before 1997

No.	Code	Project	Land Area (hectare)	Development Time	Developer	Land approval	Development agreement	Land acquisition agreement
1	S	Yan-city Garden I, II & III	17.05	1996-2000	Beijing City Construction Group (SOE)	Approval from municipal level SOE worker housing project	SOE vs municipal government	Developer
3	I1	Berlin-on-line	6.31	2000	Private developer (Zhongyuan Zhengtong)	No approval from county level or above	NA	Developer
4	I2	Marine Fort Garden	12.20	1996	Private developer (Longyang)		Developer vs town government	Developer; Pay from town government
8	I6	CPPCC Recreational Center	10.726	1996	Development company subsidiary to CPPCC		Developer vs town-subsidary Industrial Company	Developer
9	I7	Wenxi Apartment	13.54	1994-1996	Private developer (Fazheng)		Developer vs town government	Developer
10	I8	Yuanzhongyuan villa	26.32					
11	I9	Jingshan Primary School	12.01					
12	Q1	Palace Apartment	9.14			County level approval	Developer vs town government	Developer vs town government & village collective
13	Q2	Westlake New Village	10.00	1995	Private developer (Qianglong)		Developer vs town government	Developer vs town government & village collective
14	Q3	Peach Garden Apartment /Peach Blossom Garden	8.04	1994/1996	Private developer (Zhongxing Economic		Developer vs town government	developer

					Development Company)			
15	Q4	Mingrenju	3.71	1995	Private developer (Hanlun)		Developer vs town-subsidary Industrial Company	town-subsidary Industrial Company
18	Q7	Wangfu Garden	32.97	1993	Private developer (Wangfu)		Developer vs town government	Town government
19	Q8	Baxian Villa	41.54	1994	Private developer (Baxian)		Developer vs town-subsidary Industrial Company	Town government
20	Q9	Celebrities Garden	22.78	1994	Private developer (Celebrities)		Developer vs town government	developer

Basically the external developers are either state-owned work units (SOE developers) or private development companies. Two projects fall into the SOE development category. The Yan-city Garden I, II, III cover a total area of 17.05 hectare, and continued from 1996 to 2000. These are actually built by the Beijing City Construction Group (BCCG) to provide housing to its workers. BCCG is a state work unit formed in July 1983 from army units collectively transferring to civilian work. BCCG is now one of the top 500 state-owned enterprises in China and one of 225 big contractors in the world. It mainly engages in infrastructure construction contract, real estate development and logistics. With the increasingly profound SOE reform in China, BCCG was designated as one of 100 in Beijing and 120 in the country experimental units for large state owned enterprises reform in 1996.

In August 1998, BCCG set up Housing Cooperation which provides housing for workers by raising money from workers. The urban housing reform stipulated that housing allocation by state work unit should be replaced by money subsidy system. The BCCG Housing Cooperation aimed to provide housing to middle-low income workers who could not afford commercial houses. The workers in BCCG can apply to join the housing corporation upon the approval of the housing reform section of the group. The members need to submit 1/3 of the house prices at the construction start and the rest at the completion. They can also rely on mortgage. The house prices are determined by the group. At the beginning in 1997 the prices were determined according to standard prices of housing reform, cost prices of housing reform and actual cost prices, and the buyers could receive 5%-20% subsidy from the group. In 2000 the actual cost prices were used as benchmark of prices. Till April 2000, the housing cooperation had raised around 200 million housing fund and provided 140,000 sq.m and more than 1400 house units in the Yancheng Garden I, II and III. The prices for the three phases were 1450, 1680 and 1850 respectively in 1996, 1998 and 2000. According to the seventeenth article in the "Further deepen urban housing system and promote housing construction" circulated by the State Council in 1998

(state council, [1998] 23 ), the housing cooperation is included in the affordable housing construction plan, which means the land is allocated for free to the SOEs. (<http://www.cin.gov.cn/indus/exp/2000043004.htm> BCCG, April 26, 2000).

The other project initiated by SOE was the CPPCC Recreational Center, which was actually a hotel for the use of CPPCC. The most notable characteristics of this project is the issuing process of land usufruct certificate, which demonstrates that CPPCC as a government authority has privilege on the land. In 1997 the rural land use audit was launched nationwide, during which all the projects in Beiqijia Town without municipal land bureau approval and hence state land usufruct were investigated and fined. However, it is not until 2003 when the CPPCC Recreational Center submitted the fine and applied for state land usufruct to municipal government.

One of the projects without approvals from county level or above, a middle-sized project Marine Fort Garden by Longyang Development Company signed the land use contracts with both the town government as well as the corresponding village collective. According to the contracts, the developer was to submit Land Transfer Premium and Relocation Compensation Fee to the town government, who was then supposed to allocate an including-all fixed amount per mu to the village collective. The compensation fee paid to the village collective was also stipulated as 10,000 *yuan/ mu* in the contract between private developer and village, which was to be transferred by the town government.

Fazheng Development Company, whose three projects out of total four had not gone through land approval from county-level or above government authorities, was an active player in the land development of Beiqijia Town and developed more than 60 hectares during year 1994 to 1996. After cooperation with the town government in the first project Palace Apartment, the developer launched another two larger-sized residential projects and even a secondary school construction,

which was aimed to increase the attraction of the neighborhood and promote the selling prices of the following projects. Only the first project sought land approval from the county government, the rest three projects were all carried out under the contract with the town government. Since the external developers always seek the possible lowest land cost, the fee charged by the town government was lower than the land premium.

However, although all the other three projects did not seek state land usufruct from county government, they did possess the approvals in terms of project registration from county economic planning committee and building planning permit from county city planning bureaus. The economic planning committee may give convenience to external development companies under the consideration and pressure of attracting investment and achieving local economic growth, while the fee paid for planning permit is very low compared to the land premium when acquiring the state land usufruct. As a result, if there is the county government would give acquiescence, the collaborating town government and external private developers would always circumvent the regulations and pursue highest possible profit.

After the 1997 land cadastre survey and new policies application since around 2000, the control of municipal government is stricter. The development projects are registered by the municipal planning committee and project location notes are issued by the municipal planning bureau. The land conversion application is subject to the new regulations stated in the former text, that is, one note (general situation of project) and four schemes (agricultural land conversion scheme, agricultural land reclamation scheme, land appropriation scheme, land transfer scheme). New added construction land usage fee and arable land reclamation fee are respectively payable to the municipal government and district Land Resource Consolation Office. In addition the adjustment of Overall Land Utilization Plan of Beijing which was accomplished in 1998 is required.

Table 4.9: Projects undertaken by external developers after 1997

No.	Code	Project	Land Area (hectare)	Development Time	Developer	Land approval	Development agreement	Land acquisition agreement
21	M1	Guanya Garden	7.71	1997	Private developer (Beijing Shangjian)	Municipal level approval	-	developer
22	M2	Wangdu Home Garden	15.48	1999	Private developer (Taige)			
23	M3	Mingjia Garden	30.43	2002	Private developer (Jialong)			
24	M4	Meishu Holiday Garden	20.26	2002	Private developer (Xinpujiyuan)			
25	M5	Venice Garden	27	2002	Private developer (Yufadongrui)			
26	M6	Oriental Provence Villa & Laffitte Castle	68.18	2002	Private developer (Baxian)			
27	M7	Dahua Manor	7.45	2002	Private developer (Dahua)			
28	M8	One Thousand Villa	183.29	2003	Private developer (Collaboration between Hongfu and Shouchuang)			
29	M9	Vancouver Forest	71.072	2003	Private developer Collaboration between Maple Tree and Shou Chuang			

Though the land conversion process is better managed by the new institutions, the conversion speed by no means slowed down. All of the development projects involved overall land utilization plan adjustment and agricultural land reclamation. There is a very large and well-influencing villa project named “one thousand buildings” taking up as much as 2749.35 *mu* land. This project is combined from ‘Beautiful Water Country’ by Beijing Capital Land Group and ‘Water Garden’ by Fuyang-hongfu Development Company, which is a project company jointed venture by Shanghai Fuyang Real Estate Company and Hongfu Group.

## **CHAPTER FIVE**

### **PROPERTY RIGHTS ARRANGEMENTS**

This research is curious about how the arrangement of property rights system over the rural land among different actors involved, and to find out the driving forces. Development process approach is taken to address this issue. And this research focuses on land acquisition due to data limitation. As stated in the previous context, the actual development process varies from the written regulations, especially in terms of land use approvals. Limits on approval authority are assigned to different levels of governments in the formal institution, but violence of formal institutions is notoriously common in China. In reality the development process does not necessarily follow formalities, especially when governments and land bureaus at municipal and county/ district levels are involved and interplay. Thus land use permit from different levels of government serves as the criteria of the legal status of various projects.

#### **5.3 Land development legality types**

Firstly, projects with municipal level land use approval are deemed as legal, for example, land expropriation by the state and free allocated to government-linked development companies for municipal affordable welfare housing projects or infrastructure construction. This type is most like the development pattern in central planning period. As illustrated in the previous context, the state-owned work units housing is also approved by the municipal government and free of land premium charge. These two are housing construction organized by urban state and quasi-state units. Supposedly commodity housing or industrial projects should also obtain land conversion and use approvals from the municipal land bureau.

However, both the municipal and county governments have the authorities to approve rural to urban



land conversion, except that there is a limit of 2 *mu* per project for county level government. Approvals exceeding this limit are treated as “exceeding authority” by the municipal regulators, thus we think it is quasi-illegal in this research. On the other hand, those projects approved by county government exceeding the limit are fundamentally different from those without any examination and permit from county or higher level governments, which involves no government regulation and thus are illegal.

Similarly, land used within the rural sector is also differentiated as being illegal and quasi-illegal. According to the written regulations, rural collectives are the owners of rural land. As discussed in Chapter 3, the regulations and criteria regarding the legality applicable to the rural land development are different from those regarding the conversion from rural to urban land. Renting rural land to external users, in which the use right is transferred under leasehold and the land ownership remained unchanged, is obviously illegal. Agricultural land is not allowed for market transaction to nonagricultural or commercial use without state expropriation and approval; only the urban state can transfer the rural land to urban sector and convey it to land use (China 1998, Articles 43 and 63).

Peasants can use rural land for agricultural purpose, or for housing construction or industrial purpose on a portion of earmarked area, which is subject to county level approval and quota control in the meantime (China 1998, Article 61). Peasants and individual enterprises needing land for construction are required to submit a land use application to the village committee or the township economic entity for examination and to the county government for approval. Thus the legality of self-development by villagers or rural collectives depends on whether proper approvals from county government are obtained. When rural agricultural land is used for construction exceeding the quota or without appropriate approval, such behavior is also treated as unregulated. However, it should be treated as quasi-illegal if the user is individual villagers or village collectives, which is fundamentally different from outside land users. To put it simple, the projects are quasi-illegal in the sense that the approver

has the authority or the user has the right, except that the quantity limit is violated. Projects are illegal if there is no approval or legal basis regarding the land use behaviors. Legal status and development type of a specific project are actually interwoven in the sense that there are specific patterns in terms of the initiator, land acquisition and fund transfer process, etc.

Table 5.1: Land development legality types in Beiqijia Town

Status	Description	Criteria	Area	Initiators
Legal	State Projects/ SOE housing	Municipal approval	Affordable housing project covering Baifang & Shiziying villages	Municipal government
	Commodity projects		Scattered over the town	Private developers, town government
Quasi-illegal	Commodity projects	County approval		
	Rural land developed by peasants	Without county approval	Full area of Dongsanqi village	Individual villagers
Illegal	Commodity projects	No approval	Scattered over the town	Private developers, town government
	Rural land rented to external users	No approval & forbidden by the state	Full area of Zhenggezhuang Village	Land user, village collective

Note: please refer to the figures below for the location of each group of land use

Source: author

Both the illegal and quasi-illegal projects are subjected to penalty by the municipal land bureau, but the rates for the two are different. Penalty for the illegal projects is 10 yuan/ sq.m. in terms of land area, while that of the latter is 15 yuan/ sq.m. The land conveyance fees for the illegal ones have to be submitted to municipal land bureau whereas that for the quasi-illegal projects submitted to the county government at the construction time is considered acceptable. Since the municipal land bureau is the authorized land management party and rule maker, its policies regarding on the two kinds of projects is the gauge of extent of illegality.

## **5.4 Formal projects**

Formal projects basically are state public projects, state-owned work units housing, or commercial housing and industrial projects, all of which have to be approved by the municipal government. This type of land development is relatively simple in terms of actors involved and land acquisition process. The municipal government conducts compulsory rural land expropriation and allocates it for free to designated developer, who is responsible to compensate the villagers. The compensation is done by negotiation between the developer and the town government and is in the form of new housing units

Table 5.2: Formal Projects

No	Code	Project (Residential)	Land Area (hectare)	Development Time	Developer	Land approval	Development agreement	Land acquisition agreement
	A	Tiantiongyuan	266	1996	Government designated developer for affordable housing project (Shuntiantong )	Municipal level approval	-	Developer
1	S	Yan-city Garden I, II & III	17.05	1996-2000	Beijing City Construction Group (SOE)	Approval from municipal level SOE worker housing project	SOE vs municipal government	Developer
21	M1	Guanya Garden	7.71	1997	Private developer (Beijing Shangjian)	Municipal level approval	-	developer
22	M2	Wangdu Home Garden	15.48	1999	Private developer (Taige)			
23	M3	Mingjia Garden	30.43	2002	Private developer (Jialong)			
24	M4	Meishu Holiday Garden	20.26	2002	Private developer (Xinpujiyuan)			
25	M5	Venice Garden	27	2002	Private developer (Yufadongrui )			
26	M6	Oriental Provence Villa & Laffitte Castle	68.18	2002	Private developer (Baxian)			
27	M7	Dahua Manor	7.45	2002	Private developer (Dahua)			
28	M8	One Thousand Villa	183.29	2003	Private developer (Collaboration between Hongfu and Shouchuang)			
29	M8	Vancouver Forest	71.07	2003	Private developer Collaboration between Maple Tree and Shou Chuang			

for villager households in the developed buildings. Only 2 projects of small sizes sought municipal level approval before the new institution.

Figure 5.1: Formal projects distribution

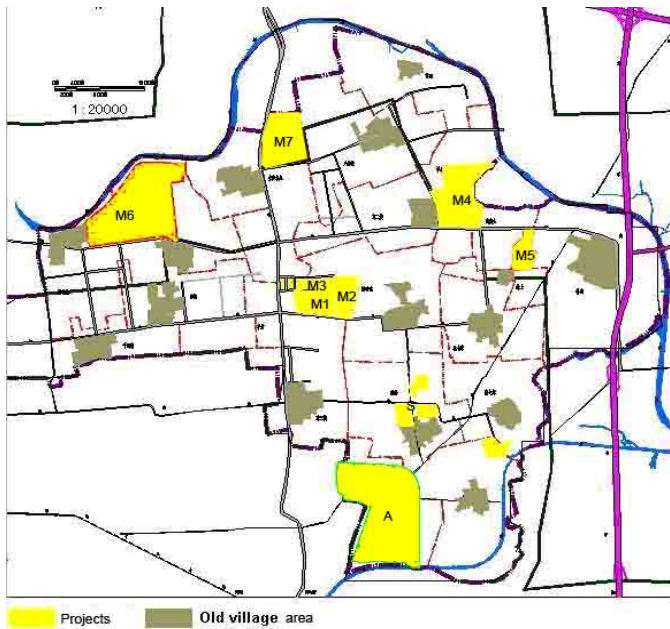
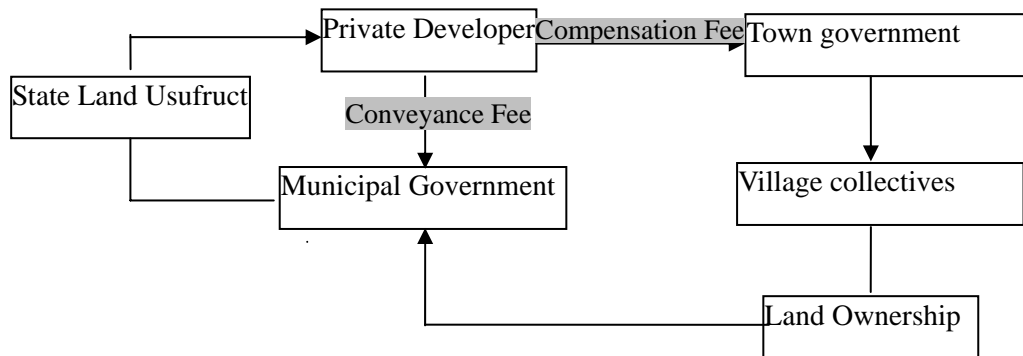


Figure 5.2: Illustration of land rights transaction of legal projects



● **Property rights pattern:**

The ownership of village collectives over rural land is limited in use types and with contingency, i.e. subject to discretionary expropriation decision of the urban state, usually the municipal government. The urban state acquires rural land to convey to private developers on leasehold in exchange of land conveyance fee. In this transaction process, land ownership is

shifted from rural to urban, and use rights further to private developers, while the rural collectives receive compensation in return. By negotiating with external developers on behalf of subordinated rural villages, the town government is acting as the official supervisor of rural collectives and financially interlinked with the collectives regarding compensation fee.

## **5.2 Quasi-informal projects**

### **5.2.1 Commodity projects with county level approval**

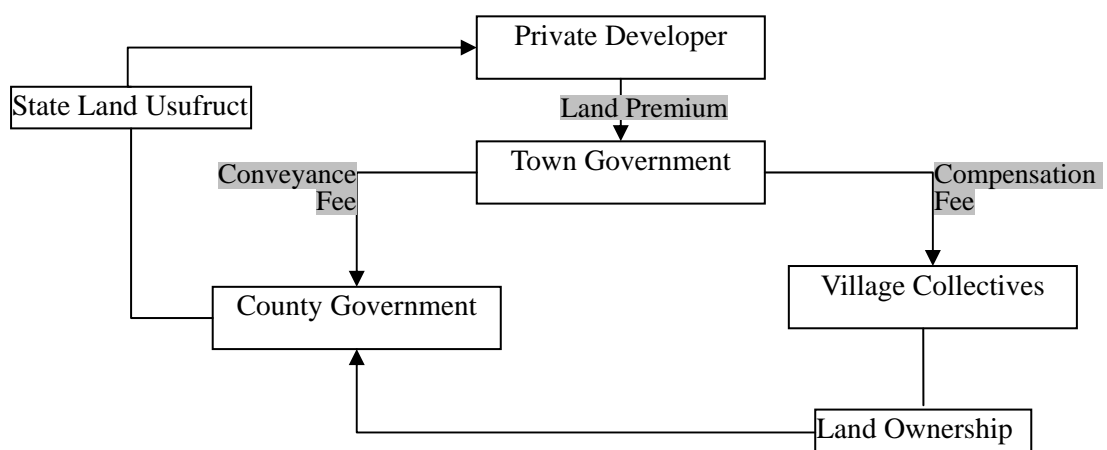
From the following Table 5.2, in the commodity housing projects approved by the county government, majority of the developers (8 out of 9) are external private developers, while the remaining one is town-subsiary. While all the external development companies sign the project development agreements with the town government or town-subsiary industrial companies beforehand, only 4 of them signed the rural land expropriation contracts with village collectives. The land acquisition contracts of the projects in which the external developer collaborates with town-subsiary industrial company, or alternatively the developer being town-subsiary itself, were between the town-subsiary industrial companies and the village collectives. What is more, in 2 of the projects, the town government “acquires” the land from villages in stead of the external developers. Also it can be found that all the projects were developed during 1994-1996, when the market was hectic and all sought to benefit from it.

In addition, in the land transfer process, the town government usually functions as an official agent and service hub when dealing with the developers. It negotiates with the private developers and collects land premium, from which it pays the land conveyance fee to the county government, and decides the amount to return to the village collectives as compensation. Part of the land premium is turned in to the county government, who issues the

State Land Usufruct Certificate once the land conveyance fee is paid. And 30%-60% of the land expropriation fee would be returned to the town government as its revenue (Author's interview, 2005). At the same time, some of the village collectives still had not got the compensation till the author's fieldtrip (author's interview, 2005). In a word, the town government is actually managing the rural land under its jurisdiction.

The town government either adopted co-development strategy with the private development companies who are interested in the land, or the private developers undertaking the development by themselves on the top that land premium is paid. The extent and forms of cooperation between the town government and external funds by the form of joint ventures vary greatly. The Beiqijia town-subsiary Penglai Property Development Company started in 1994 Penglai Village by the cooperation of Beiqijia Industrial Company and Shenzhen Kaifa Technological Joint Stock Company. Later in 1995 the new company independently initialed another residential project Kangju New Village.

Figure 5.3: Illustration of transaction of quasi-informal projects



Source: author

To assist the town government or the private developers shift the rural land to urban sector, the county government was doing so by exceeding its authority on land approval. The land

conveyance fee is the strong incentive for the revenue-driven county government. The town government adopted the “old villages redevelopment and new village construction” policy and compiled a master plan as guideline for development. During the 1990s, large area of agricultural land is converted to residential housing, in which process the town government played a critical role. From the above discussed, the town government serves as a middleman, liaising with the private developers, the county government, and the village collectives as the only channel between them. More importantly, the town government not only represent the village collectives as the owners when negotiating for compensation, but also behaves actively by acquiring the land and conduct development projects.

According to the formal institutions, the land acquirers who sign the land expropriation contracts with village collectives are supposed to be the urban governments, or the private developers, on behalf of the urban state as authorized. However, in the case area, either the town government or town-subsidiary companies act as the land acquirers. With the assistance from county government, such expropriation behaviors change the ownership of rural land to state-owned, evidenced by the issued state land usufruct. However, the town government’s land “expropriation” is informal for it is not an urban state, but due to the ambiguity of rural land ownership, the town government is actually “calling back” the whole ownership over rural land by paying to the village collectives and solely use or convey the land use rights. In other words, without the involvement of the county government, the one converting land ownership from rural to urban sector by issuing the state land usufruct, the acquisition by town government is actually the fighting for ownership, within the rural sector.

- **Property rights pattern:**

As discussed above, the county government is shifting the rural land to urban sector for land conveyance revenue, which motivates it to exceed the approval authority. It is the town government acting as the middleman during the land transfer process, by negotiating with the



external private developer, collect land premium, submit conveyance fee and compensate the village collectives. This makes the town government as the key actor. Also it represents as the rural collectives, the owner of rural land by negotiating with external actors.

What is more, the town government and its subsidiaries acquire the rural land from village collectives, or even develop the land after acquisition. Before the land ownership is converted to state-owned by the county government, such expropriation behavior basically does not change the ownership, that is to say, is within the rural sector and land remains collective-owned. The difference lies in the re-definition of “collective” --- whether is village level or town level. The historical ambiguity of the ownership over rural land gives birth to such space for manipulation by town government, with the help of the higher administrative status in the hierarchy political system.

The village collectives, which are subordinated to the town government, are deprived the ownership over rural land passively in the sense that such land expropriation behavior by the town government is not blessed by the formal institutions. However it arises from the ambiguity of the rural land property rights distribution between village collectives and town.

Table 5.3: Projects using land approved by the county government

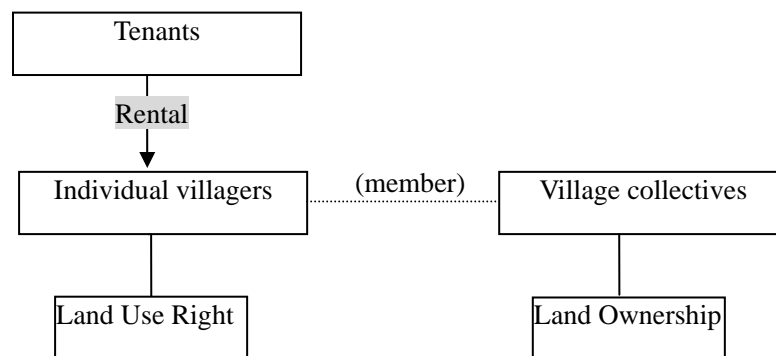
No.	Code	Project (Residential)	Land Area	Development Time	Developer	Land approval	Development agreement	Land acquisition agreement
12	Q1	Palace Apartment	9.14	1994-1996	Private developer (Fazheng)	County level approval	Developer vs town government	Developer
13	Q2	Westlake New Village	10.00	1995	Private developer (Qianglong)		Developer vs town government	Developer vs town government & village collective
14	Q3	Peach Garden Apartment /Peach Blossom Garden	8.04	1994/1996	Private developer (Zhongxing Economic Development Company)		Developer vs town government	developer
15	Q4	Mingrenju	3.71	1995	Private developer (Hanlun)		Developer vs town-subsidary Industrial Company	town-subsidary Industrial Company
16	Q5	Penglai Apartment/Penglai Garden	45.77	1993	Penglai Property Company (town-subsidary)		Investor vs town-subsidary Industrial Company (developer)	town-subsidary Industrial Company
17	Q6	Kangju New Village	16.12	1995			Developer vs town government	Town government
18	Q7	Wangfu Garden	32.97	1993	Private developer (Wangfu)		Developer vs town government	Town government
19	Q8	Baxian Villa	41.54	1994	Private developer (Baxian)		Developer vs town-subsidary Industrial Company	Town government
20	Q9	Celebrities Garden	22.78	1994	Private developer (Celebrities)		Developer vs town government	developer

Note: Q stands for quasi-informal

## 5.2.2 Rural land used by peasants

Dongsanqi Village is the nearest village to the large-scale affordable housing community and adjacent to the expressway. Due to the building height limitation near radio launcher, no commercial real estate redevelopment is allowed. The villagers use their housing land to build shabby houses for small shops or rent to floating population, mostly construction workers. The buildings are mostly one-story and very high-density. Actually all the land is used by individual peasants, who obviously use their housing land exceeding the limitation stipulated by the municipal government.

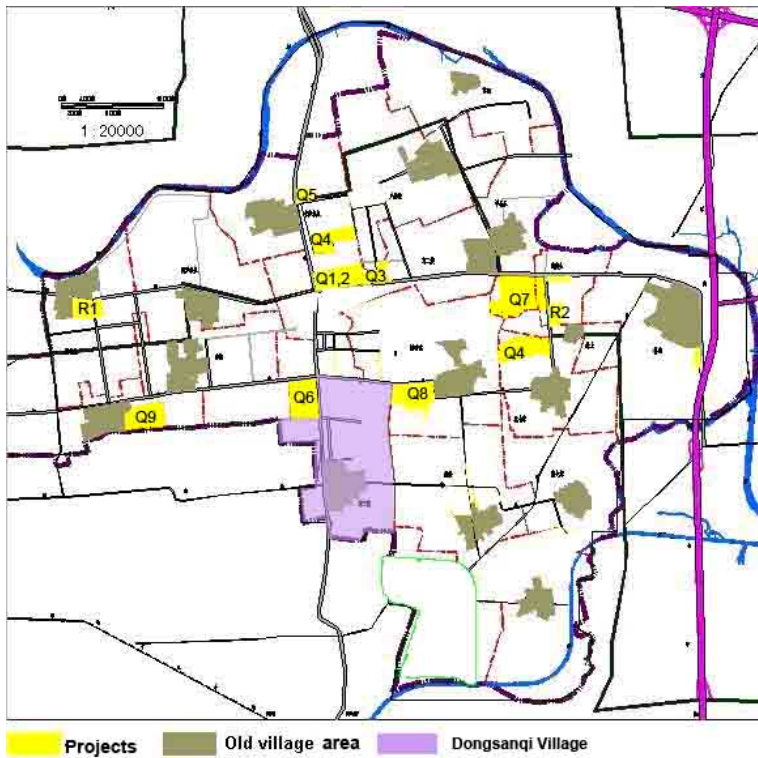
Figure 5.4 Illustration of transaction of peasant housing rent



- **Property rights pattern:**

The ownership of village collectives over rural land remains unchanged, but the restriction on agricultural land use is violated without approval from county level government. All the levels of government keep acquiescence towards this illegal utilization, due to the development limitation by the radio. The regulation is liberated if it is not available for development, while the rights of villagers over rural land are boosted.

Figure 5.5: Quasi-informal projects distribution



## 5.4 Informal projects

### 5.4.1 Commercial projects with no approval

The informal projects refers to those using land which even did not have the approvals from the county government, the lowest government level with the authority of approval land conversion. Different from the previous two groups, the informal projects comprise both residential commercial projects and industrial commercial projects for rent.

Table 5.4 Informal projects

No.	Code	Project (residential)	Land Area	Development Time	Developer	Land approval	Development agreement	Land acquisition agreement
1	I1	Berlin-on-line	6.31	2000	Private developer (Zhongyuan Zhengtong)	No approval from county level or above	NA	Developer
2	I2	Marine Fort Garden	12.20	1996	Private developer (Longyang)		Developer vs town government	Developer; Pay from town government
3	I3	Spring Garden	34.69	1992	Pingxifu Industrial Company (town-subsiary)		Developer vs Pingxifu Industrial Company	Town government
4	I4	NorthAsia Garden	10.39	1994	Beiqijia Industrial Company (town-subsiary)		Developer vs town-subsiary Industrial Company	Town government
5	I5	Empire Scenery Garden	4.20	1995			Developer vs town-subsiary Industrial Company	town-subsiary Industrial Company
6	I6	CPPCC Recreational Center	10.73	1996	Development company subsidiary to CPPCC		Developer vs town-subsiary Industrial Company	Developer
7	I7	Wenxi Apartment	13.54	1994-1996	Private developer (Fazheng)		Developer vs town government	Developer
8	I8	Yuanzhongyuan villa	26.32					
9	I9	Jingshan Primary School	12.01					

Note: I stands for illegal

a. residential commercial projects

It turns out that developers conducting illegal projects are mainly two types. One group is the industrial companies subsidiary to town governments, conducting 3 out of 9 informal projects (table 5.4). Being non-professional development companies, they usually develop in alliance with outside investment companies, while they just contribute the land and benefit from final profits. In 2 of the projects, the town government companies signed land expropriation contracts with village collectives and compensate them accordingly. The Spring Garden developed by Pingxinfu Town Industrial Company was started constructed in 1992, but the land expropriation contract was signed in 1998. The Beiqijia Town Industrial Company, has two residential projects and eight industrial plots in Beiqijia Industrial Park, the latter being discussed in the following section. Both of the residential projects encountered financial collapse of the investment companies, thus were managed by the town government. To promote the sale of two projects, the town government uses town *hukou* as incentives to people from other provinces.

The other type of developers is state-owned or private development companies from outside the town, 3 of them as Beijing Fazheng Industry Company, and Longyang Development Company and developer subsidiary to CPMCC. The Zhengfa Industry Company has 4 projects in Beiqijia Town, including apartments, villas and primary school and formed a large community. The Marine Fort Garden by Beijing Longyang Development Company is also a large project (163 *mu*). The project Recreational Center by Chinese People's Political Consultative Conference (CPPCC) first was on a 70-year lease of 160 *mu* agricultural land at a high rate of 2.7 million RMB in 1993, in which 240,000 was paid to the town government for Rural Collective Land Usufruct. In 1997, after obtaining the approval of project registration from County Planning Committee and Project Planning Permit from County Planning Bureau, CPPCC put the land into construction without any land conversion permit.

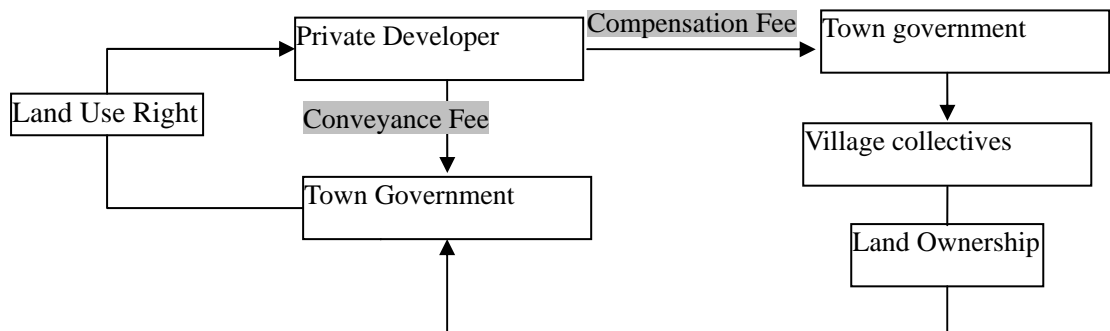
Although there is no approval from county or higher level governments, land expropriation

contracts are still signed between rural collectives and developers/ town government, which is not much different from the quasi-illegal projects in this sense. Based on the land development agreements between developers and town governments, the developers work in alliance with the town government. Thus, the role of town government is far more significant than that in quasi-informal projects, due to the absence of assistance from county government and valid state land usufruct. Since there is no state land usufruct for a residential project, the buyers of the housing units can not obtain the housing ownership certificate, while in reality receipt of housing purchase are used instead.

b. industrial properties for sale and renting

The Beiqijia Technology and Industrial Park (BITP) is a town-level industrial zone. Founded in 1992, it is managed by the Beiqijia Town Industrial Company. The company conducted 8 plots of illegal land expropriation during 1992 to 1997 and took up around 150 *mu* land (approximately 10 hectares). The land was expropriated from villagers at compensation rate of 20,000 RMB/*mu* and transferred it to firms at 250,000 RMB/ *mu* on a 50-year lease (author's interview). The contracts of land expropriation were signed between Beiqijia Town Industrial Company and village committees. However, by 2000 when these projects were handled by the municipal government, only part of the compensation fees supposed to be paid to the village committees were realized (author's interview, 2005).

Figure 5.6: Illustration of the land transaction in the informal commercial projects



- **Property rights pattern:**

Compared with the quasi-informal commercial projects, the difference lies in that there is no conversion of rural land to urban land, that is to say, it remains collectively-owned. However, indeed there is land transfer process within the rural sector before conveyance for development. It is clearly shown that, again the town government is the key actor in taking the land ownership from village collectives by compensating them as low as the urban state does. The town government rides on the ownership ambiguity and takes full share of ownership in a illegal and deceitful way, without the assistance of county government.

#### **5.4.2 Rural Land Rent to External Users**

Renting rural land to external users is prohibited by the land law. However, in the inner peri-urban area, where land development process is very dynamic and vibrant, illegal land lease to external user for development is pervasive. Commonly seen types of collective land usufruct lease structures are list as follows:

- ✓ Lease the collective land usufruct  
The lease period is relatively short (5-10 years) and leasers receive annual rate
- ✓ Transfer the collective land usufruct  
The land is transferred on 70/50-year leasehold and leasers receive one-off rate
- ✓ Lease or transfer properties built on collective land  
Peasant housing land is often transferred in this way and one-off house prices are paid.
- ✓ TVEs co-operate with other enterprises using collective land usufruct as shares  
The collective economic organizations are not attached to the operation or business risk of the enterprises
- ✓ TVEs land usufruct is transferred when mortgaging their properties or merged with other enterprises



In the Zhenggezhuang Village in our case study, village collective cooperates with external enterprises using rural land usufruct as shares. As we find out in the survey, the land user Hongfu Group was actually formally a Town and Village Enterprise (TVE), but later privatized. Such direct and connection made it a conclusive land renter in its originated village. Zhenggezhuang Village has the land lease contract with Hongfu Group, and the village collective holds fixed shares of 16.6% of the group, which can not be sold to other organizations. By this agreement, the village collective derives dividends every year from the Group and invests in public facilities and residents' welfare. The villagers entrust the village collective to manage the land, who in turn leased to the Group at a low rate. The Group is responsible for the villagers' employment and all the cadres are working in the companies under the Group, only 3 as full-time administrative staff. The starter and chairman of the Hongfu Group is formerly the chairman of Gouzitou village committee.

The Hongfu Group accumulated its capital through construction business, and later venture into real estate development. It even made a spatial plan on the village land, and the development plan includes commercial housing, industrial, hotel and tourism projects. The industrial park, Hongfu Enterprise Park (HEP) is leased to individual plant after leveling and infrastructure construction.

In the rural-urban land conversion, land ownership and title changed with the change of land use from agricultural to urban. This process is dominated by a top-down mechanism, while the villagers are passive and got nothing else except compensation fee paid to the village collective committees. The village collectives are responsible for the villagers' welfare but employment is out of their capacity. Most of villagers have to look for work themselves (author's interview, 2005). The former town and village enterprise and the village collective conduct a reciprocal corporation. With the land as equity shares in the group, the sustainable welfare and employment opportunities are provided to villagers. The author finds that the welfare of villagers is better than that of other villages and they feel contented with such

management (author's interview, 2005).

Figure 5.7: Illegal projects distribution

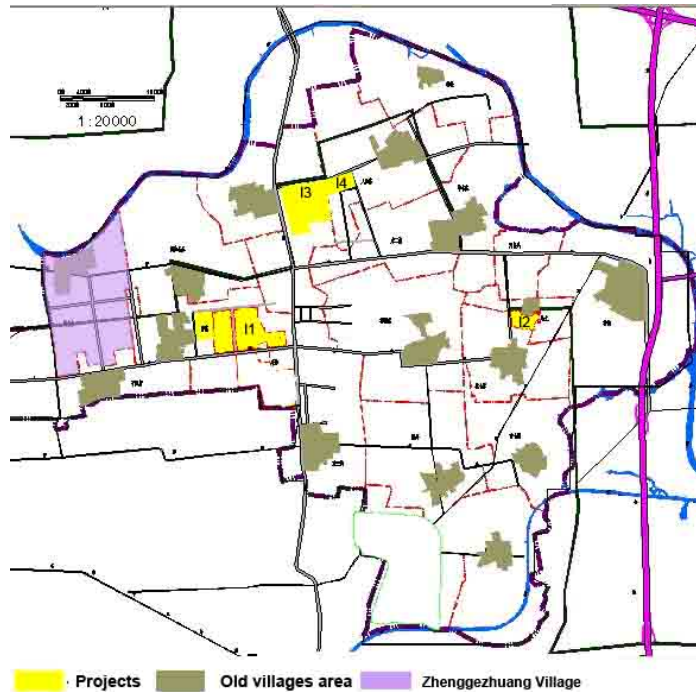
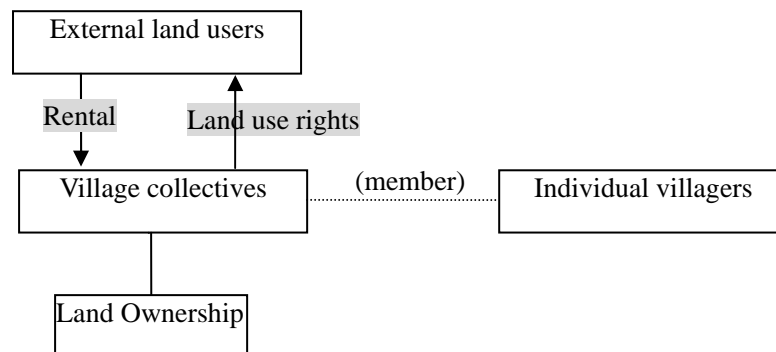


Figure 5.8 Illustration of the land rights transaction in renting land to external users



- Property right arrangement

In this type of land use, municipal, county or town government are not involved. Although it is illegal, it demonstrates the straightforward implication of ownership on rural land by village collectives, with the ability to derive income and distribute to the member villagers. Ownership remains intact and use rights are leased out.

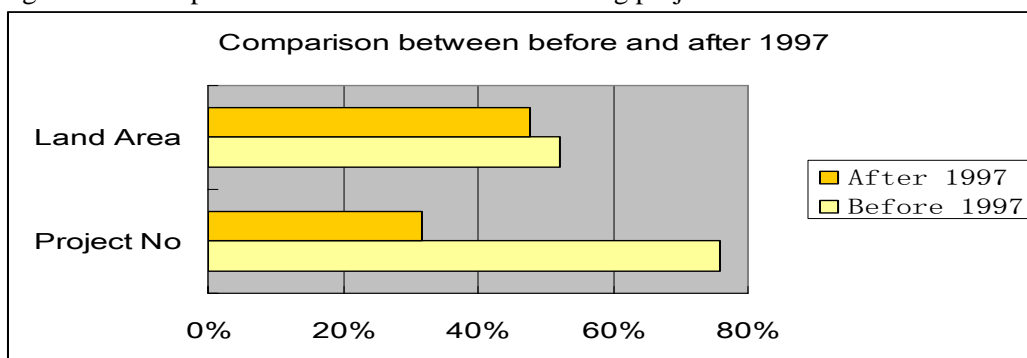
## 5.5 Summery

Beiqijia is a typical peri-urban town in Beijing and a hotspot of real estate development in the last decade of market upsurge. It has witnessed complicated rural land development process and the evolution of development types. The examination of Beiqijia's experience can thus shed light on rural land redevelopment features in peri-urban Beijing and other China cities. During the land development process, municipal governments, town governments and their subsidiaries, private developers, and villagers behaved strategically and interacted with others. Special features of the urban redevelopment are observed.

### a. Rapid land development over different regulation periods (time dimension)

In a short period of 10 years, Beiqijia Town developed over 20 km<sup>2</sup> land area, originated from an agricultural town. More than 60% of the developed area is residential and around 15% of it is industrial use. From the previous context, it is known that the turning point of state regulation on rural land use is 1997-2000 in the form of new institutions and stricter control. Thus in Beiqijia, among the total 29 commercial residential projects, only 7 are undergone after 2000, while the rest 22 were finished before 2000. However, in terms of land area, the 7 projects after 2000 take up 407.682 hectares, which is 52.23% of the total commercial residential development.

Figure 5.9: Comparison between commercial housing projects before and after 1997



The implication of this result is obvious. Although new institutions came into effect and the regulations from higher levels of governments are stricter, the land development pace by no means slows down. On the other hand, in the sense that there are fewer players in the market, implied by the much fewer numbers of projects, the land market is better controlled, which means that the precious land resource is less accessible than before, and the control power and development rights are more concentrated.

**b. Violation of the formal regulations is pervasive (land use approval)**

From the perspective of land use approval from various levels of government authorities, violation of the formal institution is discussed. Aside from the Yancity Garden approved by municipal government and Hongfu Garden on the rural construction land, the rest are evenly (9, 9, 9) grouped into three types, i.e. with no approval, approval from county government and approval from municipal government. The land development areas undertaken within the three groups are respectively 130.386 hectares, 190.07 hectares, and 430.872 hectares, that is, 16.7%, 24.4% and 55.2% of the total residential area. It is obvious that average parcel for projects with higher level approval, i.e. municipal government approvals versus the other two, are much larger. In other word, the municipal government is responsible for more than half of the commodity residential development area in this region. Here rises a question of extent of secure development rights. Given the unmet demand, the developers would actually develop as much land as they feel secure, since the developers are also aware of the illegality of no approval or approvals exceeding authorities.

Table 5.5: Comparison of projects with different land approvals

	No approval	Approval from county government	Approval from municipal government
No.	9	9	9
Area (hectare)	130.39	190.07	430.87
Percentage (%)	16.7	24.4	55.2

### **c. Town government act as a special land acquirer**

It is noteworthy that in Beiqijia Town, the town governments or their subsidiary industrial companies also act as the acquirers of rural land, signing the agreement with their subordinate administrative units, rural collectives. There are in total 7 such cases, while 3 of them (49.28 hectares) without any land use approvals and 4 of them (140.11 hectares) with approvals from Changping County government. For such projects, the actual developers are external private developers or town-subsidiary companies, that is, the town governments is expropriating the rural from peasant for its own commercial development or convey it to the private sector, like an urban state. By making decisions alone or obtaining consent from the county government, the town government was playing a very active and important role in the land conversion.

## **5.5 Major Players**

There are several important actors emerging from the complex land development process. They are various levels of governments (state, municipal, county/ district, town), village collective cadres, private developers, local villagers, and commercial housing buyers in this region.

### **a. commercial housing buyers**

The housing prices here is very low compared to those in city regions under normal development procedures. The lower prices drove the demand and thus the supply, which is also driven by land revenues and profits. For the illegal development projects, the buyers get a membership of so-called “cooperative housing building group” set by the developers and they actually use the receipt of housing purchase is the certificate of house ownerships. Supposedly such property ownership is insecure and subject to the state’s penalty or even confiscation. However, in the interviews the author found that they are not at all worried about the illegal status of their housing property. As Zhu (2004) indicates that in the urban

area, the land users could hold tight to its land and the state could hardly retrieve the allocated assets owners under the socialist property rights. The perception that government would take action against existing house owners supports the demand for illegal commodity houses.

b. local villagers

In the rural-urban land conversion, land ownership and title changed with the change of land use from agricultural to urban. This process is dominated by a top-down mechanism, while the villagers are passive and got nothing else except compensation fee paid to the villager committees. The village collectives are responsible for the villagers' welfare but employment is out of their capacity. Most of villagers have to look for work themselves (author's interview, 2005). The former town and village enterprise and the village collective conduct a reciprocal corporation. With the land as equity shares in the group, the sustainable welfare and employment opportunities are provided to villagers.

Land is what peasants make living on. To the villagers, there is not much difference about who is expropriating the land from them and what for. The compensation rate is prescribed and the employment is a serious problem to them after the deprivation of land. In 2002 the work force in Beiqijia Town is 8982, and the distribution among three sectors is 37.4%, 28.3% and 18.3%. The rest went out the town to make a living. Their education backgrounds are worrisome, 84.6% of the work force is below secondary school education level, 11.8% received high school education, 2.5% went to collage and only 1.1% is above collage level. After their land is expropriated, the life quality of the villagers is not improved much.

Table 5.6: Employment situation of villagers in Beiqijia Town in 2003

Category		population	Percentage (%)
Total		8982	100
Primary sector (agriculture)		2538	28.3
Secondary (industrial)		1645	18.3
Tertiary		3348	37.4
In which	Construction	357	4
	Transportation and storage	364	4
	Commercial and catering	2627	29.4
Go out of town to seek a job		1406	16

Source: Beiqijia Town government, 2003

c. Private developers

The developers usually act as investor driven by low land prices and voluminous profit margin in this area. Loose management and pro-development local government formed informal institutions which fostered booming investment activities. What is notable is that there are relatively few developers in comparison to the number of projects. Some developers each have several projects in the town. Firm relationship between developers and local government can be seen.

d. State government

Although the state government is not directly involved in the development of Beiqijia Town, all the formal policies and regulations over rural land use are compiled by the state government. Supposedly, the state government is concerned with agricultural land protection and state food security. However, lack of implementation mechanism of these restrictive regulations made them ineffective. The central government is transigent to the informal development. It knows by any means but it did not take any actions until there was a danger sign as to the national security.

e. Municipal government

The municipal government is a developmental state for it did not take actions on the informal development until there is requirement from the central government. Besides land revenues, official performance by the higher levels of government which is measured by economic growth rates and urban physical changes. After the restrictive policy came into effect, the municipal government retrieved the approval power on land conversion. However, the land development pace by no means slowed down, which indicates the municipal government also stresses the revenue generated by land lease, rather the agricultural land protection, which is used to justify the hierarchical approval system.

f. Town government

The town government is the most active player in the informal development process for the sake of revenue retention as it has a level of fiscal system. From 1992, the town government adopted land development strategy to promote economic performance and made a fifteen-year overall development plan (1996-2010) in 1995. In the plan, two land development methods were identified, that is, old village redevelopment and town industrial park. Old village redevelopment is mainly to lease land to the market by densification of peasants' housing. The Beiqijia Town Industrial Park is a town-level industrial development zone approved by related authorities at county and municipal level. The municipal planning committee agreed the proposal in principal, the municipal urban planning bureau issued the location note of planned industrial land, and Changping County planning committee approved the project registration of Beiqijia Town Industrial Park in 1992 and the following industrial plots. By cooperation with external developers, as well as conducting development directly, the town government initiates and promotes the local land development market.

g. Village cadres

In the collective production period, due to their own benefit, the production brigade cadres would negotiate with higher level of government on the retention of products. The



abolishment of commune system gave decision making rights on production to the peasants on the one hand, resulted in differentiation between interests of peasants and cadres. The incomes of cadres now rely on the fiscal revenue, either expropriated from peasants or other resources.

After taking over governance over the country, the Chinese Communist Party (CCP) established government power deep into the countryside and succeed in building a top-down political system. Siu (1989) holds that the local cadres get power from the party and higher level of governments and act on the ideology and policy guidelines of the party. They are agents of the party and state, not representing the interest of villagers. But Oi (1989) thinks that local cadres are both the agents of the state, and also representatives of the local interests. Through clintelism, the local cadres can archive a balance between state, villagers and their own interests. In reality, with the devolution and decentralization of government power and fiscal system, the lower levels of government and cadres are more and more the main players confronting and conflicting with the peasants.

### 6.1 Introduction

With urban development process viewed as the market result of a special commodity, buildings or real estate, insightful explanations regarding land development proliferate. Neo-classical economics holds that the real estate market is also one dominated by individuals who behave rationally in maximising utilities with preference, with relative prices driving the market towards a long-run equilibrium. However, the real estate market is notoriously inefficient and the neo-classical model is widely criticized (Evan, 1995). Thus development process approach is put forth to study the forces and their function in shaping the urban built environment, suggesting that a thorough understanding of the development process can be achieved only by linking the strategies, interests and actions of various actors with the context of broader social, economic and political processes. Yet, Ball (1998) argues that such approach enriches empirical knowledge but lacks theoretical backup. On the other hand, Zhu (2005) holds that the 'structure' in the development process thesis is the institution of property rights, and elaborates on how socialist institution of people's landownership has evolved into a new form to structure an emerging urban land market.

In spite of drastic institutional change in rural China, there is no institutional research on the rural land in China, although Ho (2004) points out the legal ambiguity of rural land property rights. But how various actors react to such ambiguity and economic and institutional changes, and how distinctive peri-urbanization occurs, remain unsolved.

In the context of property rights and institutional change, the research question is thus derived as what is the informal development of rural land in peri-urban area of Beijing and what is the

property rights arrangement among various actors. This research aims to find out the property rights on rural land during the rural-state conversion process and the driving forces for this outcome.

Taking Beiqijia Town, a typical peri-urban town in Beijing, as the study area, data were collected from land bureau archival record, field reconnaissance surveys and interviews with local officers and villagers. Based on the data, development process approach, with the focus on land acquisition process, is carried on for analysis on the property rights inherited by various players in the rural land development arena.

## **6.2 Conclusion**

### **6.2.1 Complicated informal development**

This research is preliminarily inspired and motivated by the wide-spread geographical phenomenon --- peri-urbanization, and accordingly tries to interpret it from the perspective of land development process. First of all, policies and regulations regarding rural land use and conversion are reviewed, providing the background of formal institutions, against which analysis on actual activities could be conducted. Secondly, records of rural land expropriation issued by the Municipal Land Bureau are scrutinized. As revealed in the previous context, most of development projects are informal in the sense that they lacked appropriate approval for rural land expropriation issued by the municipal authority, since there is limit on the approval authority of the county government. In the meantime, investigation is also carried on the rural construction land use in the same manner. Thirdly, at this conjunction land use permit from different levels of government serves as the criteria of the legal status of various projects, which helps to reveal the various actors and their interactions for further analysis.

There are three categories of development in terms of legality, i.e. being approved appropriately. Projects with municipal level land use approval are deemed as legal, for example, land expropriation by the state and free allocation to government-linked development companies or the state-owned work units housing, that is, urban state and quasi-state units. All commodity housing or industrial projects which obtain land conversion and use approvals from the municipal land bureau are also legal.

Alternatively development could be approved by the county government, with 2 *mu* per project limit, or not approved by the two levels of governments. Projects approved by the county government exceeding this limit are also treated as quasi-illegal in this research, while those without any approvals are illegal. The way of thinking is that county government approvals exceeding the limit are fundamentally different from those without any examination and permit from county or higher level governments.

Similarly, land used within rural sector is also differentiated as being illegal and quasi-illegal. Renting rural land to external users is obvious illegal, for agricultural land is not allowed for market transaction to nonagricultural or commercial users without state expropriation and approval; only the urban state can transfer the rural land to urban sector and convey it to land use. Peasants can use rural land for agricultural purpose, or for housing construction or industrial purpose on a portion of earmarked area, which is in the meantime subject to county level approval and quota control. The legality of self- development by villagers or collectives thus depends on whether proper approvals from county government are obtained or not. When rural agricultural land is used for construction exceeding the quota or without appropriate approval, such behavior is also treated as illegal. However, it is treated as quasi-illegal if the user is individual villagers or village collectives, which is fundamentally different from external land users. To put it simple, the projects are quasi-illegal in the sense that the approver has the authority or the user has the right, except that the quantity limit is violated. Projects are illegal if there is no approval or legal basis regarding the land use behaviors.

It is found in this research that the quasi-illegal and illegal land development is pervasive in Beiqijia Town, especially before the major state regulation in 1997. Quasi-illegal and illegal land development is the reason fostering peri-urbanization process, which is characterized by unplanned and unregulated piecemeal land use.

### **6.2.2 Various actors and interactions**

Based on the categorized development, projects are scrutinized in great detail, in an attempt to derive insights on the key actors, their strategic behaviours and interactions. Clarification of the major players and their ways of extracting benefit from rural land development virtually reveals the property rights arrangement among them. Given clearly stated and legally protected property rights definition, any forms of informal land development would not emerge easily. Explorative study on the responses and reactions taken by the player when facing ambiguity clarifies the implication of such ambiguity.

For the formal development projects, the main actors are undoubtedly the municipal government, developers and rural peasants. By compensating the peasants at predefined rate and paying conveyance fee to the municipal government as request, the ownership of rural land converted to urban state ownership and leased land use right. In this model, the rural collectives' ownership is restricted in land use and with contingency to terminate, i.e. the discretionary expropriation decision made by the urban state. Also such arrangement is in accordance with the formal or written institutions.

In the quasi-informal development projects group, there are two situations where there is conversion of rural to urban land or not. If the land expropriation approved by exceeded authorities and conveyance to private developers are done, there is land ownership transfer from rural sector to urban sector. While county government is motivated by the land conveyance fee as revenue source, the town government also emerges as a key actor by

representing the rural collectives in negotiating with the private development on compensation, collecting and paying the conveyance fee etc. What is noteworthy is that there are rough standards respectively for the conveyance fee and compensation rate. By negotiating and providing services to the private developers, the town government also aims at the residual revenue after deducting the above mentioned two items of fee. Since the compensation to the village collectives are roughly same with in the formal development, only town government is better off from the rural land conversion within the rural region.

For the development by individual peasants and renting to external users by village collectives, the land ownership is not transferred, and thus the right to extract benefit remains in the village collectives.

### **6.2.3 Competition within the collective over land**

The Chinese Constitution stipulates that “Land in rural and suburban areas, except for that stipulated by laws as being owned by the state, is collectively owned by rural residents” (China 2004, Article 10). In the pre-reform era, the ownership of the means of production – agricultural fields, farm animals, implements and so forth – was refashioned in a “three-level ownership”, i.e. the people’s commune, the production brigade and the production team. The production team was identified as the primary accounting unit and the owner of land in 1962. This rural land system established at that time was then carried on until the demise of commune system in 1983 and production team was further transformed into natural village.

However, it is not specified in the legal documentations that which level of administrative unit is the so-called “rural collective”, whether it is town government, administrative village committee, or natural village. Historically the former counterparts of the three levels owned all the productive resources commonly, for the sake of organizing agricultural production. Nowadays the land is increasingly becoming important resource of revenue, no longer a

farming means. Such indeterminacy of rural land owner becomes serious problem with the increasing economic value of land.

It is shown in the research that the town government is playing a very important role in initiating, coordinating, coalition with external developers, while comprising the interest of rural collectives. Based on the previous analysis, the role of the town government is succinct. On the one hand, it serves a hub when dealing with the external developers, representing the village collectives for negotiation of compensation, collecting land conveyance fee for the approval government. This means that it actually manages the land resource within its administrative boundary. On the other hand, the town government and its subsidiaries expropriate land from the village collectives, and either conveys it to external developers or conducts development by itself. Such expropriation behaviour is illegal, and is the strategic response in face of the ambiguity regarding rural land ownership. The indetermination of so-call “rural collectives”, along with the political power on the subordinated villages, makes the town government the key player in rural land development market.

Although the key player is the town government as shown in the previous context, there are still exceptions in terms of the development types, where the village collective and individual villagers also play the predominant role in land use. There are two cases in our Beiqijia Town research area. One is Zhenggezhuang Village, which rents all land within administrative boundary to external land users. By planning and developing the village’s land comprehensively, the land user Hongfu Group also takes care of the whole village’s welfare. In Dongsanqi Village, on the other hand, the individual villagers develop the land by themselves. Without land ownership being transferred in the development process, why the two cases are different from all others in terms of the land development types? For the Zhenggezhuang case, there is an ongoing scheme on the land use, which is initiated by the rural collective and not intervened by the town government. Similarly, in Dongsanqi Village there is no control on the villagers’ housing building, which obviously exceeded the housing

slot regulation, from the town government.

Here arises the issue of fighting for development rights on rural land. If the villages have justifiable reasons, which could be better development scheme or restriction on construction, the town government would loose the intervention, given the subject villagers could take care of themselves. Thinking it reversely, if the town government could not provide better solutions than the subject villages already have, it would be difficult for it to step in the land use issue, otherwise there surly will be complaints. The author would conclude that the village collectives' ownership on land is with contingency and severely restricted by the urban state. However there is bargaining process on the development rights between the rural sector and the higher regulators.

### **6.3 Summary of the conclusions**

Power balance and interaction among the land users, developers and the state were always structured by the property rights of the actors (Webster & Lai, 2003). As shown in the case study, there are various forms of land development, in terms of land transfer and approval grants, as well as various developers. In the author's point of view, ambiguity in property rights is vital in the phenomena, and a driving force of rapid peri-urbanization. The ambiguity regarding rural land rights arises from legal basis (Ho, 2004), one being the indetermination of the actual land owner, which in turn induced dynamic fighting process for the land ownership and bound benefit. It has been revealed in this research that rural land development of Beiqijia Town was structured by the ambiguous legal ownership of rural land by the rural collectives, weak land use rights of the nominal land owners, indetermination of property rights allocation within rural sector.

### **6.4 Further discussion**



Given the fast pace of urban growth and dynamic nature of peripheral urban areas, the significance of the research on land conversion is self-evidence. This research is curious about the driving forces behind the so-called “peri-urbanization” phenomenon which is commonly seen in outskirts of Chinese cities. On top of development process analysis, what can be summarized or derived are the major relevant actors, strategies they take and resultant interactions among them. Then the property rights come into fore and explain the “peri-urbanization” phenomenon from institutional perspective. Deviation of the de facto property rights from the written formal rule, and various forms of ambiguity, largely resulted in the unregulated land development. The finding of the research may serve as an updated account of institutional changes on rural land use in China, as well as provide basis for further discussion and academic research. Further studies may include how to improve the enforcement of regulations, and thus the efficiency of land use.

## BIBLIOGRAPHY

Adell, G. (1999) *Theories and Models of the Peri-urban Interface: A Changing Conceptual Landscape*. Literature Review for the Strategic Environmental Planning and Management for the Peri-urban Interface Research Project, London: The Development Planning Unit, University College London.

Adams, D., Disberry, A. and Hutchinson, N. (1997), *Land ownership constraints within the development process*. Aberdeen Papers in Land Economy, pp. 97–107, Department of Land Economy, University of Aberdeen.

Alchian, A. (1977) Some Implications of Recognition of Property Right Transactions Costs, in: *Economics and Social Institutions: Insights from the Conferences on Analysis and Ideology*, Boston, Mass: Martinus Nihjoff Publishing, K. Brunner (ed.), pp. 234-255.

Ball, M. (1998), Institutions in British Property Research: a review, *Urban Studies*, Vol. 35, No. 9, pp. 1501- 1517

Barzel, Y. (1997) *Economic Analysis of Property Rights*, Cambridge: Cambridge University Press.

Coase, R.H. (1960) The Problem of Social Cost, *The Journal of Law & Economics*, 3, pp. 1-44.

Demsetz, H. (1967) Toward a Theory of Property Rights, *The American Economic Review*, 57(2), pp. 347-359.

Deng, C. R. (2004) Urban Spatial Development in the Land Policy Reform Era: Evidence from Beijing, *Urban Studies*, 41 (10), pp. 1889-1907

Evans, Alan W. (1995) The Property Market – 90 Percent Efficient, *Urban Studies*, 32(1): pp. 5-29

Feng J. (2003) 1990 NIAN DAI BEI JING SHI REN KOU KONG JIAN FEN BU DE ZUI XIN BIAN HUA (Latest Development in Demographic Spatial Distribution Change in Beijing in 1990s), *City Planning Review*, 27 (5), pp.55-62

Fischel, W. A. (1985) *The Economics of Zoning Laws: A Property Rights Approach to American Land Use Controls*. Baltimore, MD: The Johns Hopkins University Press.

Furubotn, E. and Richter, R. (1993) The New Institutional Economics Recent Progress; Expanding Frontiers. *Journal of Institutional and Theoretical Economics* 149 (1), pp. 1-10

Furubotn, E. and Svetizar, P. (1972) Property Rights and Economic Theory: A Survey of Recent Literature. *Journal of Economic Literature* 10 (4), pp. 1137-62

Gore, A. and Nicholson, D. J. (1985) The Analysis of Public Sector Land Ownership and Development, in: S. BARRETT and P. HEALEY (Eds) *Land Policy: Problems and Alternatives*, pp. 179–202. Aldershot: Gower.

Gore, T. and Nicholson, D. (1991) Models of the Land-development Process: a critical review. *Environment and Planning A*, 23, pp. 705-730.

Guo X.L. (2001) Land Expropriation and Rural Conflicts in China, *The China Quarterly*, 2001

Guy, S. and Henneberry, J. (2000) Understanding Urban Development Process: integrating the economics and the social in property research, *Urban studies*, 37(13), pp.2399-2416.

Healey, P. (1991) Models of the Development Process: a review, *Journal of Property Research*, 8, pp. 219–238.

Healey, P. and Barrett, S. M. (1990) Structure and Agency in Land and Property Development: some ideas for research, *Urban Studies*, 27, pp. 89–103.

Ho, P. (2001) Who Owns China's Land? Policies, Property Rights and Deliberate Institutional Ambiguity, *The China Quarterly*

Ho, S.P.S. and Lin, G. C.S. (2003) Emerging Land Markets in Rural and Urban China: Policies and Practices, *The China Quarterly*

Hodgson, G.M. (1988) *Economics and Institutions*, Cambridge: Policy Press.

Hooper, A.J. (1992) The Construction of a Theory: a comment. *Journal of property research*, 9, pp.45-48.

Luthlen, L. (1997) Land Ownership in Britain and the Ruest for Town Planning, *Environment and Planning A*, 29, pp. 1399-1418.

Lewis, S. (1997) Marketization and Government Credibility in Shanghai: Federalist and Local Corporatist Explanations, in Weimer D.L. (Ed) *The Political Economy of Property Rights*, Cambridge: Cambridge University Press.

Lin, G. C.S. and Ho, S.P.S. (2003) The State, Land System, and Land Development Processes in Contemporary China, *Annals of the Association of American Geographer*, 95(2), pp. 411-436

Lin, N. (1995) Local Market Socialism: Local Corporatism in Action in Rural China, *Theory and Society*, June

Liu S. H. (2000) JI YU GIS DE BEI JING CHENG SHI TU DI LI YONG KUO ZHAN MO SHI (Expansion Pattern of Land Coverage Analysis Based on GIS in Beijing), *ACTA GEOGRAPHICA SINICA*, 55 (4), pp. 407-415

Kight, J. (1992) *Institutions and Social Conflict*. Cambridge: Cambridge University Press.

Mattlingly, M.(1999). *Institutional Structures and Processes for Environmental Planning and Management of the Peri-urban Interface*. Monograph, Peri-urban Interface Project. London: Development Planning Unit.

McGee, T. (1991) The Emergence of Desakota Regions in Asia: Expanding a Hypothesis. In *Extended Metropolis: Settlement Transition in Asia*, edited By N. Ginsburg, B.Koppel, T.G. McGee. Honolulu: University of Hawaii Press, pp.3-25.

North, D. C. (1990) *Institutions, Institutional Change and Economic Performance*, Cambridge: Cambridge University Press, 1990

North D. C. (1993) Institutions and Credible Commitment, *Journal of Institutional and Theoretical Economics*, 149 (1), pp. 11-23

Oi, J. C. (1989) *State and Peasant in Contemporary China: The Political Economy of Village Government*, Berkeley: University of California Press

Oi, J. C. (1992) Fiscal Reform and the Economic Foundations of Local State Corporatism in China, *World Politics*, 45 (199), pp.99-126

Pejovich, S. (1990) *The Economics of Property Rights: Towards a Theory of Comparative Systems*, Dordrecht, the Netherlands: Kluwer Academic Publishers.

Pejovich, S. (eds.) (1997) *The Economic Foundations of Property Rights*, Cheltenham, UK: Edward Elgar.

Sassen, S.(2000). *A New Geography of Power*, University of Chicago

Shang C. R.(1998) “TUDI ZHENGYONG ZHIDU DE GUOJI BIJIAO YU WOGUO TUDI ZIYUAN DE BAOHU” (“Comparison of international practices of land expropriation and protection of land resources in China”), *NONGYE JINGJI WENTI* (Problems in Rural Economy), No. 5, pp. 25.

Siu, H. F. (1989) *Agents and Victims in South China: Accomplices in Rural Revolution*. New

Haver: Yale University Press

Smith, A. (1776[1991]) *the Wealth of Nations*, Buffalo: Prometheus Book.

Sun, Z. T. (1999) *Rural Fiscal Problems in Contemporary China*, Beijing: Economic Science Press, pp. 37

Wank, D. L. (1999) Producing Property Rights: strategies, networks, and efficiency in urban China's nonstate firms, in Jean Oi and Andrew Walder (eds.), *Property Rights and Economic Reform in China*, pp. 248–272. Stanford: Stanford University Press.

Webster, C. and Lai, L. W. C. (2003) *Property Rights, Planning and Markets: Managing Spontaneous Cities*. Cheltenham: Edward Elgar.

Weimer, D. L. (1997) The Political Economy of Property Rights, in: D. L. WEIMER (Ed.) *The Political Economy of Property Rights: Institutional Change and Credibility in the Reform of Centrally Planned Economies*, pp. 1–20. Cambridge: Cambridge University Press.

Wong, K. K., and X. B. Zhao (1999) The Influence of Bureaucratic Behavior on Land Apportionment in China: The Informal Process, *Environment and Planning C*, 17, pp. 113-26

Yeh, A.G.O. & Wu, F.L. (1996) The New Land Development Process and Urban Development in Chinese Cities, *International Journal of Urban and Regional Research*, 20, pp. 330-353.

Yeh, A.G & Wu, F.L. (1999) The Transformation of the Urban Planning System in China from a Centrally-planned to Transitional Economy, *Progress in Planning*, 51(3), pp.167-252

Zhu, J.M. (1999a) *The Transition of China's Urban Development: From Plan-controlled to Market led*. Westport, CT: Praeger.

Zhu, J.M. (1999b) The Formation of a Market-oriented Local Property Development Industry in Transitional China: a Shenzhen case study, *Environment and Planning A*, 31(10), pp.1839-1856.

ZHU, J.M. (1999c) Local Growth Coalition: the context and implication of China's gradualist urban land reforms, *International Journal of Urban and Regional Research*, 23(3), pp.534-548.

Zhu, J.M. (2000) Urban Physical Development in Transition to Market - the case of China as a transitional economy, *Urban Affairs Review*, 36 (2), pp.178-196.

Zhu, J.M. (2002) Urban Development Under Ambiguous Property Right, *International Journal of Urban and Regional Research*, 26(1), pp.41-57.

Zhu, J.M. (2004a) From Land Use Right to Land Development Right: Institutional Change in China's Urban Development, *Urban Studies*, 41, pp. 1233-1251.

Zhu, J.M. (2004b) Local Developmental State and Order in China's Urban Development During Transition, *International Journal of Urban and Regional Research*, 28(2), pp.424-447.

Zhu, J.M. (2005) A Transitional Institution for the Emerging Land Market in Urban China. *Urban Studies*, 42 (8), pp.1369-90

Zong Y. G. (2002a) BEI JING CHENG JIAO HUA KONG JIAN TE ZHENG YU FA ZHAN DUI CE (Spatial Characteristics of Suburbanization and Its Developing Strategies in Beijing), *ACTA GEOGRAPHICA SINICA*, 57 (2), pp. 135-141

Zong, Y. G. (2002b) BEI JING DA DU SHI TU DI KAI FA DE SHENG SHU XIAO YING HE ZHENG ZHANG MO SHI YAN JIU (Analysis on Multiplier Effect and Growth Model in the Land Development of Beijing Metropolitan Area), *Geographical Research*, 21(1), pp.89-96