

# China's Rural Development in the 14<sup>th</sup> Five-Year Plan Period

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**Abstract:** *The 14<sup>th</sup> Five-Year Plan period (2021-2025) is a critical transition for China's social and economic development. After achieving moderate prosperity and eradicating absolute poverty in 2020, China will embark upon a new journey towards an affluent society with rural revitalization replacing poverty eradication as a new priority of government agenda on agriculture and rural affairs. In the 14<sup>th</sup> FYP period, China should increase rural prosperity in all respects, modernize agriculture and the countryside, address food security challenges, raise farmers' incomes, and roll out rural reforms.*

**Keywords:** *14<sup>th</sup> Five-Year Plan, rural development, countryside revitalization, moderately prosperous society*

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## 1. Introduction

The 14<sup>th</sup> Five-Year Plan (FYP) period is an essential transition for China's social and economic development. After achieving moderate prosperity in all respects, China will turn itself into a modernized socialist country. The Report to the 18<sup>th</sup> CPC National Congress put forth the “two centennial” goals, i.e. initially achieving socialist modernization by 2035 and turning China into a prosperous, democratic, civilized, harmonious, and beautiful socialist country by the middle of this century. As the first five-year plan (FYP) of China's new journey towards a modern socialist country in all respects, the 14<sup>th</sup> FYP must break new grounds in development philosophies, institutions, and policy initiatives while maintaining a relative stability and continuity in the existing systems and policies.

China's four decades of rural reforms and the implementation of the 13<sup>th</sup> FYP have paved the way for achieving the goals set for the “two stages”<sup>1</sup> and rural development plans for the 14<sup>th</sup> FYP period. Officially recognized in the late 1970s, China's household contract responsibility system has played a pivotal role in unleashing rural productivity and protecting farmers' interests. Since then, China has rolled out rural pilot reform programs with a gradualist and market-based approach (Wei and Liu, 2019), which greatly motivated farmers, rekindled rural dynamism, and allowed reforms to proceed with less resistance and lower costs. In the 13<sup>th</sup> FYP period, China battled against absolute poverty, carried out agricultural supply-side structural reforms, and implemented the countryside revitalization strategy, which has led to brilliant progress in agricultural and rural development.

In 2016-2020, China's annual grain output were all above 650 million tons, and per capita grain output exceeded 470 kilograms. Since 2008, China's grain output has stayed above the international security threshold of 400 kilograms per person to ensure grain self-sufficiency. Steady growth in the

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<sup>1</sup> The “two stages” refer to the achievement of basic socialist modernization in 15 years from 2020 to 2035 and socialist modernization in another 15 years from 2035 to 2050.

agricultural economy has led to an efficient supply of diverse and quality agricultural produce. At the comparable price, China's agricultural, forestry, livestock, and fishery sectors recorded an annual average growth rate of 3.46% in the 13<sup>th</sup> FYP period. Rural households have seen their incomes and living standards rise substantially amid urbanization, agricultural modernization, and rural industrial growth. In 2016-2020, China's rural households saw their per capita disposable income increase by 6.0% annually on average in real terms, which was 1.30 percentage points higher than the annual average growth rate of urban household incomes. Though still wide in absolute terms, urban-rural gaps in incomes and living standards have narrowed steadily over recent years. The ratio between urban and rural household per capita disposable incomes dropped from 2.73 in 2015 to 2.56 in 2020.

The 14<sup>th</sup> FYP is China's first five-year plan in the new era of Chinese socialism and the new journey towards a modern socialist nation. In the face of new domestic and international environments, China has set new strategic priorities and identified new growth drivers. Therefore, China's 14th FYP should put forth new approaches and initiatives to revitalize the countryside and promote integrated urban-rural development. After achieving moderate prosperity in 2020, we should expedite rural modernization as a top priority in China's rural development.

The 14<sup>th</sup> FYP period should set the stage for China's agricultural and rural modernization. After eradicating absolute poverty in 2020, China's anti-poverty strategies will aim to create long-term mechanisms for raising farmers' income and reducing relative urban and rural poverty. Countryside revitalization will replace poverty reduction as a new priority on the government agenda. It requires even more support to agriculture and the countryside after eradicating absolute poverty. Amid this strategic transition, it is of great relevance to discuss key issues relating to China's rural development in the 14<sup>th</sup> FYP period.

## 2. Towards Rural Prosperity in All Respects

The countryside is both the weakest link and a priority in building a moderately prosperous society in all respects. In recent years, the central government has made great efforts to eradicate absolute poverty and revitalize the countryside. As a result, significant progress has been made in reducing China's rural poor populations as well as uplifting rural social and economic development, living standards, democracy, and environmental management. The countryside has made steady strides towards moderate prosperity. Our research team conducted an integrated assessment of China's rural prosperity based on five primary indicators and 23 secondary indicators for economic development, living standards, social development, political democracy, and rural environment. Results suggest that at the current pace, China's countryside would achieve the goal of moderate prosperity by 2020 (Wei *et al.*, 2016).

It should be noted, however, that China's urban-rural gaps remain evident. Even if China's countryside achieves moderate prosperity by 2020, such prosperity will remain at a much lower level compared to urban prosperity. Compared with cities, especially large cities, rural household incomes remain low, rural infrastructure and public services inadequate, and the rural living environment less than desirable. As shown in Table 1, despite similar water supply levels, access to fuel, gas, sewage, and domestic waste treatment varies considerably between cities and the countryside. Therefore, by 2020, such a moderate rural prosperity would only be of a relatively low level.

Judging by various indicators, some weaknesses still exist in rural prosperity. Among the five primary indicators, rural social development and environment goals are achieved only at relatively low level(Wei, *et al.*, 2016). In building a moderately prosperous society in all respects, the bottom line is to lift all rural low-income populations out of absolute poverty.

After achieving moderate prosperity in all respects by 2020, China will take steps to build an affluent society. According to international experience, a moderately thriving society will become more

**Table 1: Gaps in Urban and Rural Public Facilities in 2017**

Indicator	Level of public facilities (%)					Relative level (1 for cities)				
	City	County	Town	Town-ship	Village	City	County	Town	Town-ship	Village
Piped water penetration	98.30	92.87	88.10	78.78	75.51	1	0.94	0.90	0.80	0.77
Fuel gas penetration	96.26	81.35	52.11	25.02	27.00	1	0.85	0.54	0.26	0.28
Sewage treatment ratio	94.54	90.21	49.35	17.19	20 <sup>a</sup>	1	0.95	0.52	0.18	0.21
# Centralized sewage treatment ratio	91.98	88.89	39.56	8.20	—	1	0.97	0.43	0.09	—
Domestic waste treatment ratio	99.00	96.11	87.19	72.99	65 <sup>b</sup>	1	0.97	0.88	0.74	0.66
# Domestic waste innocuous treatment ratio	97.74	91.00	51.17	23.62	—	1	0.93	0.52	0.24	—

Source: Calculated based on *China Urban-Rural Construction Statistical Yearbook* for 2016 and 2017.

Notes: *a* refers to the percentage of administrative villages with sewage treatment in 2016; *b* refers to the percentage of administrative villages with domestic waste treatment in 2016.

advanced, prosperous, and inclusive in the subsequent development stages. Society will become affluent only after it completes this transition. After achieving moderate prosperity in all respects by 2020, it takes time for China to become an affluent society.

The transition from moderate prosperity to affluence will take time since China remains a developing country at a low level with imbalanced and inadequate development. Moderate prosperity, even if achieved, is yet to be enhanced. To some extent, China will complete building a moderately prosperous society when it eradicates absolute poverty. The 14<sup>th</sup> FYP is China's first FYP after achieving moderate prosperity in all respects. Beyond 2020, China will remain a moderately thriving society for a long time to come.

In the 14th FYP period, we should build upon previous efforts to achieve moderate prosperity in the countryside. In weak areas such as rural infrastructure, public services, and environmental management, we should implement key national projects on rural roads, village sewage treatment, rural governance, and smart villages. For deeply poor, less developed, or relatively impoverished regions, fiscal support and transfer payments are needed to raise farmers' income, reduce relative poverty in the long run, and make development more sustainable. By the concept of integrated urban and rural development, we should equalize public services, incomes, and living standards in cities and the countryside, thus bridging urban-rural gaps.

### 3. Laying the Groundwork for Agricultural and Rural Modernization

In 1954, the Chinese government announced the goal of agricultural modernization. In 2017, the Report to the 19<sup>th</sup> CPC National Congress put forth the countryside revitalization strategy, vowing to modernize agriculture and the countryside. Following the central government's plan, China will basically accomplish agricultural and rural modernization by 2035 and revitalize the countryside in all respects by 2050. To some extent, countryside revitalization is all about agricultural and rural modernization, which as a concept is interpreted differently among academics. Many studies considered agricultural and rural modernization as agricultural modernization plus rural modernization (Chen, 2018). Others considered agricultural and rural modernization a simple extension of agricultural modernization, which was often broadly referred to as the modernization of agriculture, countryside, and farmers (Zhao *et al.*, 2007). Some scholars recently interpreted agricultural and rural modernization as thriving industries, livable environment, civilized rural culture, effective governance, and affluence (Zhang, Ouyang, 2019).

Alternately, agricultural and rural modernization consists of five aspects, including industries, culture, environment, governance, and living standards, and agricultural modernization is the core element of the modernization of rural industries (Wei, 2019).

Based on the understanding of agricultural and rural modernization, our research team constructed a system of comprehensive indicators to evaluate the degree of China's agricultural and rural modernization. Results suggest that China's agricultural and rural modernization would increase from 43.78% in 2010 to 54.02% in 2016 to achieve modernization in all respects by 2050. By the current pace, China is poised to achieve agricultural and rural modernization at a basic level by 2035 (General Report Research Group, 2018). Of course, this projection is based on a simple arithmetic average of indicators. In reality, there will be significant differences in the achievement of various indicators. Some core indicators, if underachieved, will become weak points in agriculture and rural modernization. These weak points are concentrated in agricultural productivity, rural household incomes, rural public services, farmers' capability, and rural environmental management.

According to the World Development Indicators (WDI) database of the World Bank, China's agricultural value added per worker was 3,439 US dollars (in 2010 US dollar) in 2016, which was above the average world level but 21.7% lower than the average level of upper-middle-income economies and equivalent to only 10.1% of the average level of high-income economies. In some developed economies, rural household incomes have surpassed or approached the levels of urban households. In 2020, China's rural household per capita disposable income was only 39.1% of urban households, which remained below the level of the 1980s.

Rural public services such as education, culture, healthcare, and social protection are way behind urban levels. Despite the integration of urban and rural healthcare as well as pension insurance in recent years, most urban residents participate in healthcare and pension schemes for urban employees and public institutions, which offer a higher level of protection. Much remains to be done to create an integrated urban and rural public service system and social protection system. Amid rapid urbanization, well-educated youth have left for cities, giving rise to an aging population and brain drain in the countryside. In some years, rural illiteracy rates nudged up. According to a sample demographic survey, illiterate populations as a percentage of China's total rural populations aged 15 and above increased from 7.21% in 2013 to 8.58% in 2016. The ratio of rural female illiterate populations grew from 10.43% to 12.53%. Excessive use of chemical fertilizers and pesticides has led to severe nonpoint agricultural pollution and a meager treatment ratio of village sewage. In 2016, 80% of administrative villages in China discharged sewage without treatment. Inadequate social protection, brain drain, and environmental degradation present serious challenges to China's agricultural and rural modernization.

The 14<sup>th</sup> FYP should lay the groundwork for agricultural and rural modernization by 2035. We should prioritize agricultural and rural development during the 14th FYP period, address weaknesses, and expedite agricultural and rural modernization according to local conditions. China's rural development varies considerably across regions. In 2018, for instance, Shanghai's rural household per capita disposable income reached 30,374.7 yuan. In the same year, the same figure was 8,804.1 yuan for Gansu Province. By the national annual average rural household per capita disposable income growth of 8.5% for 2011-2018, rural household income in Gansu Province was at least 15 years behind Shanghai's.

Given the regional differences, localities should develop strategies for agricultural and rural modernization based on local conditions. Prosperous regions and suburbs of large cities should be allowed to take the lead in achieving agricultural and rural modernization. Representative regions may be selected to create national demonstration areas for institutional innovations and experiments to develop other regions' experiences. Based on their realities, locals should carry out bold reforms and innovations and explore diverse modes for agricultural and rural modernization. Notably, agricultural and rural modernization is the modernization of development and governance capabilities. Therefore,

in expediting agricultural and rural modernization, the top priority is to address the lack of capabilities, especially rural governance capabilities.

#### 4. From Poverty Eradication to Countryside Revitalization

China's rural poverty reduction policy has experienced a transition from poverty relief to development-oriented and targeted poverty reduction. Since the reform and opening up, China has achieved remarkable progress in reducing rural poverty. By the rural poverty line of 2010, China's rural poor population reduced from 770.39 million in 1978 to 5.51 million in 2019, down 765 million, or 18.66 million annually. In the same period, China's rural poverty incidence fell from 97.5% to 0.6%. In 2020, all of the remaining rural poor population were lifted out of poverty. These achievements have resulted from development-oriented poverty reduction, urbanization, and pro-poor policies. Massive poverty reduction since reform and opening up owes much to China's rapid and inclusive economic growth, especially in agriculture and rural economy, progress in various social undertakings, and environmental improvement (Wu *et al.*, 2018).

From 1979 to 2020, China's annual GDP growth averaged 9.2%, and household per capita disposable income grew by 8.2% at an annual average pace. China's rapid economic growth and social progress for more than 40 years have laid a solid groundwork for rural poverty reduction. China's urbanization rate increased at an annual average pace of 1.09 percentage points from 17.92% in 1978 to 63.89% in 2020, adding 730 million urban populations in total, or 17.37 million urban populations on an annual average basis. Massive urbanization, which far outpaced the world average urbanization rate, has led to an unprecedented migration of rural population to cities, creating opportunities for the rural poor to exit poverty, and boosted farmers' incomes from agricultural economies of scale.

More importantly, China's urbanization was not accompanied by a shift of rural poverty to cities and did not create urban slums. Migrant workers found plentiful jobs in booming cities and were helped by sound employment policies and proper urban planning. This marks an important experience of China's urbanization since reform and opening up.

In 1986, China launched a nationwide campaign of poverty reduction through development. In 1994, the Chinese government vowed to lift 80 million people out of absolute poverty in seven years, followed by two rural poverty reduction and development programs for the subsequent two decades, and targeted poverty reduction and the battle against poverty after 2013. In these decades-long poverty reduction campaigns, the Chinese government has attached unprecedented importance to rural poverty reduction, enacted a host of plans and policy initiatives, ramped up funding support, and united the whole nation in fighting poverty.

By 2020, China has achieved the poverty reduction targets as schedule and eliminated absolute rural poverty under the current standards. However, a vital question at the moment is how to consolidate and expand the achievements made in poverty reduction. Nationwide, challenges remain:

(i) After exiting absolute poverty, some regions out of poverty are yet to establish long-term mechanisms for the steady increase in farmers' incomes. In some regions where jobs are scarce, farmers have to migrate elsewhere to earn wage incomes or rely on government transfer incomes. This pattern of income growth is unsustainable.

(ii) Without support from higher government levels, local governments have limited financial resources to support existing rural low-income populations, many of whom have lost labor capability due to diseases and disabilities.

(iii) While doling out cash to registered poor populations in previous years, the government has overlooked low-income people barely above the poverty line.

In 2014-2017, 20% of China's low-income rural households experienced a mere 3.5% annual average nominal income growth rate and even saw their incomes fall in 2014 and 2016 (Wei, 2018).

**Table 2: Rural Poverty in China's Poor Regions, 2012-2018**

	Poor populations (10,000 persons)		Percentage of decrease (%)	Share in national total (%)		Change (percentage points)	Poverty incidence (%)		Change (%)
	2012	2018		2012	2018		2012	2018	
National	9,899	1,660	-83.2	100.0	100.0		10.2	1.7	-8.5
Poor regions	6,039	1,115	-81.5	61.0	67.2	6.2	23.2	4.2	-19.0
Contiguous destitute areas	5,067	935	-81.5	51.2	56.3	5.1	24.4	4.5	-19.9
592 key counties for poverty reduction	5,105	915	-82.1	51.6	55.1	3.5	24.4	4.3	-20.1
Eight provincial-level regions with ethnic minorities	3,121	602	-80.7	31.5	36.3	4.8	21.1	4.0	-17.1

Source: NBS data.

Notes: Poor regions include contiguous destitute areas and national key counties for poverty reduction, including 832 counties in total. The eight provincial-level regions are Inner Mongolia, Ningxia Hui, Xinjiang Uygur and Guangxi Zhuang autonomous regions and Qinghai, Guizhou and Yunnan provinces with large ethnic minority populations.

Despite rapid nominal growth in the per capita disposable incomes of 20% low-income households at 11.0%, lower-middle-income households only recorded a nominal income growth rate of 1.9% in 2018. The coefficient of variation for the per capita disposable incomes of rural households divided into five equal groups increased from 0.70 in 2013 to 0.74 in 2017, and further to 0.76 in 2018, i.e. China's rural household income gaps have been widening.

In the 14<sup>th</sup> FYP period, we should build upon the results of poverty reduction and revitalize the countryside in all respects. After eradicating absolute poverty in 2020, significant efforts must be made to improve the sustainability of poverty reduction and prevent low-income people from relapsing into poverty. The 14<sup>th</sup> FYP is vital for implementing the countryside revitalization strategy. In this period, countryside revitalization should take center stage in government work on rural affairs. Beyond 2020, the government should extend greater support to agriculture, the countryside and farmers, steadily increase agriculture-related funds, and repurpose poverty reduction institutions and policies to revitalize the countryside.

We should continue to improve various institutions and legal and policy systems to raise farmers' incomes and revitalize the countryside steadily. Poverty reduction is an eternal pursuit. Winning this battle against poverty does not mean the conclusion of anti-poverty campaign. After the campaign to eradicate absolute poverty, China's agenda will shift to relative and multidimensional poverty with an integrated approach for addressing urban and rural poverty (Wei, 2018; Chen *et al.*, 2019; Sun and Xia, 2019). In this context, China's anti-poverty strategy should refocus from absolute poverty to relative poverty, from income poverty to multidimensional poverty, and from short-term goals to regular mechanisms. We should follow a long-term approach to poverty reduction with consistent standards for cities and the countryside.

## 5. Food Security and Farmers' Income

Food security and farmers' income growth are two key priorities of China's agricultural policy. Both have achieved desirable results. From 1978 to 2020, China's total grain output grew by 1.20 times, or 1.89% on an annual average basis. Since 2008, China's per capita grain output has stayed above the international safety line of 400 kilograms, ensuring a sufficient supply of staple agricultural produce. Annual growth of China's rural household per capita disposable income averaged 7.70% over the period

1979-2018, or 8.84% over the period 2010-2018, higher than urban household income growth rates by 0.48 and 1.78 percentage points, respectively (Wei, *et al.*, 2019).

Given its thin profit margins, grain farming contributes little to farmers' income growth. Corn and soybean production made losses for many straight years. Despite central government subsidies, grain farming remains less profitable than cash crops such as fruits, melons, vegetables, flowers, and medicinal herbs. As shown in Table 3, grains yield much fewer profits than fruits and vegetables do in terms of net profit per unit area, profit-to-cost ratio, and net profit per labor input. Such profit gaps have discouraged grain farming, which contributes a diminishing share to farmers' income growth.

In 2014, net business income on crop farming contributed 13.9% of rural household disposable income growth. This ratio dropped to 2.9% in 2016 and increased to 7.8% in 2017. Currently, grain farming contributes a minimal share to farmers' income growth. Meager profits discouraged farmers from grain farming. In 2012, net profit on paddy rice, wheat, and corn per *mu* (1 *mu*=0.0667 hectares) was 168.40 yuan, which fell to 19.55 yuan in 2015 and -80.28 yuan and -12.53 yuan in 2016 and 2017, respectively. Over the period 2015-2017, corn farming made losses for three straight years. Rising production cost, especially land cost, was not accompanied by a grain price hike. Over the period 2015-2016, the sales price for every 50 kilograms of paddy rice, wheat and corn fell by 12.9% on average. Between 2018 and 2019, the net profit on paddy rice, wheat and corn per *mu* was still negative. Grain farming made fewer profits and even became loss-making chiefly due to subdued grain sales price. Local governments had little incentive to encourage grain farming. In 2006, the Chinese government rescinded agricultural tax and agricultural specialty tax and started to ramp-up support for grain production. However, grain farming could not bring any tax revenue to local governments. On the contrary, it required local fiscal inputs. In the trade-off between national grain security and local fiscal coffers, local governments tended to put their own interest first, attaching less importance to grain farming.

Under the current system, grain farming serves the interest of national food security at the expense of farmers' income growth. That is to say, farmers cannot make more money by contributing to national food security; they otherwise would earn higher profits from cash crops such as fruits, melons, vegetables, flowers, and medicinal herbs. However, if most farmers avoid growing crops, China's food security will come under threat.

Currently, China's food supply and grain reserves are sufficient. The Chinese government has adopted a strategy to "increase grain supply by protecting arable land and promoting agricultural technology" and accelerate agricultural supply-side structural reforms. These reforms prompted localities to restructure agricultural production, reduce grain sowing area, and plant high-value cash crops. From 2017 to 2019, China's grain sowing area reduced continuously by 3.17 million hectares, down 2.66%,

**Table 3: Profits from Grain Farming and Vegetable and Fruit Planting in China, 2017**

Indicator	Grain					Fruit and vegetables			
	Average for grains	Paddy rice	Wheat	Corn	Soybean	Apple	Citrus	Orange	Average for vegetables
Net profit per <i>mu</i> (yuan)	-12.53	132.55	6.10	-175.79	-130.89	1,909.61	2,755.60	1,802.56	1,776.86
Profit-to-cost ratio (%)	-1.16	10.95	0.61	-17.13	-19.57	39.07	76.31	53.78	40.09
Labor employment per <i>mu</i> (day)	5.04	5.51	4.34	5.26	2.52	35.48	18.46	19.93	27.88
Net profit from each labor (yuan)	-2.49	24.06	1.40	-33.42	-51.94	53.82	149.27	90.44	63.73

Source: NDRC Price Department, 2019: *Compendium of National Agricultural Product Cost and Revenue Information 2018*, China Statistics Press.

Note: Grains refer to paddy rice, wheat and corn.

and the sowing area for cash crops increased by 4.52%. Given China's grain self-sufficiency above 95%, this non-grain farming's preference will not affect China's grain security in the short run. However, if this trend persists in the long run, it will surely pose a risk to China's food security.

China's future agricultural policy must accommodate the two critical goals of food security and farmers' income growth. On the one hand, farmers' income growth must be predicated upon food security. Agricultural restructuring cannot exceed the bottom line of food security. On the other hand, we should put into place long-term, diverse mechanisms to allow grain farmers' incomes to grow steadily. In the 14<sup>th</sup> FYP period, we must effectively address the dilemma between food security and farmers' income growth.

(i) We should raise grain productivity and expedite agricultural labor migration, thus increasing the economies of scale in grain production. We should also encourage innovation, develop fine crop species, promote mechanization and intelligent agriculture, introduce private actors, enhance branding and green production, and improve the level and quality of grain production.

(ii) We should integrate the grain industry chain, value chain, and the supply chain. We should explore the multidimensional functions of grain production, especially economic, cultural, educational, ecological, and landscaping functions. We should integrate grain production with grain processing, e-commerce, logistics, culture and tourism, leisure and recreation, and education. Only with vertical and horizontal industrial integration and fair and reasonable interest distribution mechanisms will shared interests be developed in the grain industry.

(iii) We should improve an interest compensation mechanism for grain farmers. Since the reform and opening up, China has created interest compensation mechanisms for grain farmers and grain-producing areas. While further improving such mechanisms, we should explore an ecological compensation mechanism for grain production with pilot programs to be carried out in main grain-producing areas.

## 6. Rolling Out Rural Reforms

China's reforms started in the countryside. Initially, rural pilot reforms were carried out to develop experience before rolling out nationwide when conditions were ready. In recent years, China has enacted a host of pilot reforms in the rural sector. Localities have carried out pilot reforms in such areas as rural land reform, collective ownership systems, crop rotation and fallowing systems. Some reform initiatives proven to be feasible have been written into relevant laws and regulations. However, most rural reforms have remained as pilot programs yet to roll out on a broader scale. Some reform initiatives, which are inconsistent with relevant legislation, are confined to a few pilot regions authorized by the National People's Congress (NPC) Standing Committee, China's legislature.

Existing legislation is out of step with some reform initiatives, which may be deemed "unlawful" or "unconstitutional". Legal risks have deterred localities from experimenting with reforms. There has been a tendency of fragmentation in rural reforms due to a lack of inter-sectoral coordination. Reforms in critical sectors progressed slowly and lacked coordination. Attempts were made to reform mortgage loans backed by rural land contracts and farmers' housing properties but failed to achieve desirable results due to incompatible fundamental systems. China's reforms started from the countryside but have lagged behind urban reforms, presenting an institutional bottleneck to China's rural development and countryside revitalization.

A new age has dawned for China's rural reforms. Instead of pilot programs and patchwork reforms, we must enhance the top-down design, increase coordination, and adopt a package of rural reforms and a broader scale. In the 14<sup>th</sup> FYP and beyond, we must deepen rural reforms in all respects, focusing on rural land reform. After taking stock of reform experience over recent years and improving relevant legal systems, we should roll out rural reforms nationwide.

Land reform is at the heart of rural reforms. With the enactment of the amended Rural Land



Contract Law and Land Management Law there is an urgent need to adopt legislation and rules to support the nationwide implementation of rural pilot land reforms. Under the institutional framework of integrated urban and rural development, the land reform's basic goal is to create a unified urban and rural land market. The first step is to establish a unified urban and rural land transaction platform and create a unified urban and rural construction land market.

The central government has recently vowed to initially create a unified urban and rural construction land market by 2020 and form a unified urban and rural construction land market in all respects by 2035. This goal lies at the heart of China's rural land reform in the context of integrated urban and rural development. China's land market, especially the construction land market, remains segregated between the countryside and cities, and the housing market remains an incomplete, hobbled market.

China's real estate market developed first in cities and late in the countryside. The rural housing market, which is far less open and sophisticated, is profoundly incompatible with the goal of countryside revitalization. In recent years, some localities have registered the ownership rights of rural housing and land properties, establishing regional transaction platforms for rural land-use rights, properties, and idle housing units.

However, the lack of effective avenues for realizing farmers' land contract and housing plot rights has put a damper on farmers' access to property-related incomes. In 2020, China's rural household per capita net asset income was only 9.1% of urban households, and net incomes on assets contributed only 3.0% to rural households' disposable income growth. Rural-urban housing market segregation and imbalance and the restrictions on rural housing transactions and property rights are to blame for housing price spikes in some large cities over recent years.

Based on the confirmation of property rights, we should accelerate market-based rural land reforms. We should expedite rural housing and land-use rights registration, including farmers' land contracts as property rights. With the experience of regional pilot programs, we should carry out various reforms of rural land requisition, the transfer of collective operating construction land plots, and the housing plot system. We should separate the ownership, entitlement, and use rights of rural housing plots, setting strict criteria on eligibility to farmers' housing plots. We should make housing plots and farmers' housing use rights available for transactions, expedite the integrated housing and land reforms, and ultimately allow farmers to lease and transfer their land contracts. We should make institutional and policy arrangements to allow farmers to voluntarily relinquish their housing plots and convert such housing plots into collective construction land. The conversion of relinquished rural housing plots into collective construction land helps form an integrated urban-rural construction land market and grant equal treatment to urban and rural residents with respect to real property rights. ■

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