

Plenum grapples with reforms for rural economy

Entire nation would benefit from a richer countryside, experts say

Josephine Ma in Beijing and Jane Cai

Oct 10, 2008

The global financial crisis cast a shadow over the opening yesterday of the third meeting of the Communist Party Central Committee elected a year ago.

The four-day plenum will discuss a state document containing proposals to solve major problems with rural development.

It is expected to offer solutions to boost the rural economy.

President Hu Jintao's visit to the symbolic village of Xiaogang, Anhui - where 18 farmers divided land among themselves 30 years ago, triggering rural economic reform - has raised hopes the government will introduce radical reforms to land use.

The reform the farmers spawned - which later spread beyond agriculture - is known as the household responsibility system. Under the scheme, small and often scattered pieces of farmland were allocated to individual households to restore incentives.

However, analysts counter the optimism about further reforms by pointing out that the authorities are engaged in a delicate balancing act.

They are seeking to:

- * Encourage urbanisation while maintaining a minimum of 120 million hectares of farmland;
- * Retain existing land contracts that enable individual farmers to hold on to their small plots while promoting efficient production; and
- * Encourage farmers to move to cities without causing overcrowding that creates slums.

Chen Xiwen, a key rural policymaker, told state media earlier that the government was hoping to combine the advantages of the household responsibility system and rural co-operatives, without stripping farmers of the land contracted to them.

Analysts are now watching to see whether the government will indeed relax restrictions on the sale of rural residential land.

The measure would unleash huge wealth in the countryside, according to Li Ping, the Beijing representative of the Rural Development Institute, a US group that campaigns for land reform.

He said China had 12.3 million hectares of rural residential farmland, which could be worth 11.1 trillion yuan (HK\$12.7 trillion).

Lu Xueyi, a veteran rural expert and a sociologist at the Chinese Academy of Social Sciences, said the leadership chose rural development as the theme for the Central Committee meeting because it realised the urgent need to boost domestic demand.

He said the global financial crisis had made China realise it could no longer rely on exports as the engine for its economic growth.

The only way to maintain strong growth in the midst of global depression was to boost domestic consumption, he said, and that could only be done by having a vibrant rural economy.

Morgan Stanley economist Wang Qing says strengthening long-term rural policies will help China's economy in times of global turmoil.

"Strengthening protection of farmers' entitlement to their land will be an important structural policy change that could have a profound long-term impact," he said.

"This policy change will help boost consumer confidence among rural households in the short run, encourage investment and improve productivity in the agricultural sector in the longer term."

Ha Jiming, chief economist of investment banking at fund research company China International Capital Corp, said: "The party meeting is for medium-to-long-term policies.

"Amid the financial turmoil, the issue of economic and financial stability may be raised. It is possible for the leaders to say that maintaining healthy economic growth and boosting domestic demand are important to address the crisis."

Stock-market investors are pessimistic that the leadership can offer any quick remedy.

Yang Jianshun, a 59-year-old investor in Jiangsu, said: "The market has slumped 60 per cent so far this year. At such a bad time, no news can give a quick boost to the market."