

# *Research on the Problems and Countermeasures of Rural Collective Property Rights Reform*

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**Abstract:** The rural collective property rights system reform is an essential part of comprehensively deepening reform in general, and an important institutional arrangement in the comprehensive reform of agriculture and rural areas in specific. However, in the reform process, many problems still exist like the lack of top-level design of the national system, the weak implementation of specific procedures for rural collective economic organizations, and the low participation of villagers. From the perspective of "government-organization-villagers", it is requisite for the government to strengthen top-level design and institutional supply, enhance rural collective economic organizations, and promote villagers' subjective awareness in reform.

## **1. Introduction**

As another major reform deployment of the Central Committee of the Communist Party of China, the reform of rural collective property rights system has to do with the economic development of rural areas and the happiness of farmers. The reform aims to gradually establish a China's socialist rural collective property rights system with clear ownership, complete powers, smooth circulation, and strict protection. The protection in particular is to safeguard the legitimate rights and interests of farmers as members of collective economic organizations. With share cooperation as the main form of reform, we must enhance the understanding of the current problems and related causes, so as to put forward corresponding countermeasures.

## **2. The main problems of rural collective property rights reform**

### **2.1 Legislation is lagging behind with legal policy supply being insufficient**

After the introduction of the rural collective property rights system, new rural collective economic organizations have been established in rural areas across the country. The focus of deepening reform is also on how to enable these economic organizations to fully play their role and inject vitality into rural economic development. However, the reality is different from the ideal. Exceptional results have been delivered as rural collective economic organizations have been registered in the agricultural and rural departments and given a unified social credit code, and the

Civil Code of the People's Republic of China clarifies "rural collective economic organizations" as special legal persons. But rural collective economic organizations encounter policy conflicts and have no legal basis to rely on when carrying out social and economic activities, due to the lack of legal policy documents such as Organic Law of Villagers Committees.

On December 30, 2022, the National People's Congress solicited public opinions on 13 draft laws, with a solicitation period from December 30, 2022 to January 28, 2023. The Draft Law of the People's Republic of China on the Organization of Rural Collective Economy is one of the 13 draft laws, which is of great significance for deepening the reform of rural collective property rights system and regulating the management of rural collective economic organizations. However, this draft law needs to go through multiple rounds of discussion, modification, and voting, and the time for its formal promulgation will depend on the progress of the review. During this long period of time, the legal dilemma faced by rural collective economic organizations without a legal basis still remains unchanged.

## **2.2 Difficulties in implementing the work due to constraints in grassroots practice**

Regarding the members of rural collective economic organizations, their membership must be confirmed by signing according to relevant management regulations. Due to the widespread problem of hollowing out and aging at the grassroots level in the countryside, local staff need to personally go door-to-door for confirmation and registration. However, in practice, some elderly people often request the staff to sign on their behalf due to physical conditions or illiteracy, leading to a widespread phenomenon of proxy signing for member identification. The age structure of some rural collective economic organization members is irrational as most of them are part-time workers. There's a limit to the total energy output during busy farming seasons, which negatively affects their work ability.[1] When confirming memberships, the original household registration book of the village collective is usually used as a basis. However, due to reasons such as villagers going out to work, study, or living with their children in the city, it is difficult to confirm. If a member meeting or representative meeting needs to be held, some villagers or representatives often make excuses such as farming or living with their children in the city, resulting in the embarrassing situation of "incomplete attendance". As their lives still dominated by agriculture, many villagers have difficulty cooperating with the work of the village collective, which proved implementing the reform tasks at the grassroots level to be difficult.

## **2.3 Insufficient knowledge of villagers leads to low participation in the reform**

The policy propaganda for the rural collective property rights system reform has been carried out in different forms from the central to the local levels. However, the propaganda work becomes a mere formality, especially at the grassroots level, only to be seen on the village bulletin boards. Moreover, it mostly consists of excerpts from policies, which makes it difficult for farmers to have a detailed, comprehensive, and popular understanding of the reform. From the perspective of the official entities involved in carrying out the reform work such as the government and rural collective economic organizations, villagers' understanding of the reform is limited to the popular interpretation of documents by rural intellectuals, which are often subjective. Moreover, based on their knowledge, they cannot obtain accurate and comprehensive information, which leads to the common problem of information asymmetry. It is the information asymmetry that results in villagers' low degree of participation, as they do not understand the ownership relationship of rural collective assets. Their rights as members of economic organizations are not protected for a long time, so they cannot comprehend the necessity of the reform neither.

### **3. Analysis on the causes of main problems in the rural collective property rights system reform**

#### **3.1 Regional differences bring challenges to the reform**

From the practice situation, the reform of the rural collective property rights system has its own regional characteristics, and the legal system of rural collective economic organizations and rural financial accounting system involved in the reform[2] will affect the regional gap to a certain extent. In the process of summarizing practical experience, it can be seen that different regions face different problems, and the ways to solve these problems vary according to the local situation. The demand for the system is not completely consistent, which is a problem faced in system design. In terms of content, the reform of the rural collective property rights system is not entirely related to agricultural and rural work, but also involves departments such as civil affairs, finance, and natural resources, requiring opinions and suggestions from multiple aspects. In grassroots practice, it is also necessary to face up to the actual situation of different regions and make modifications and adaptations according to local conditions in the above-mentioned aspects.

#### **3.2 Power struggles have weakened the economic functions of rural collective organizations**

The legal representative of newly established rural collective economic organizations is the new highest authority. After the implementation of the rural collective property rights reform, the economic functions of rural collectives were separated and given to the rural collective economic organizations,[3] rather than being shouldered by the village "two committees", resulting in the weakening of the economic power of the village "two committees". If village cadres are the natural agents for the operation and management of collective assets, the collective economy often becomes a "cadre economy",[4] making the chaotic rural collective property rights more susceptible to the use of official position for personal gain. Some cadres view the advantages and disadvantages of the reform based on personal interests rather than collective interests, and have not yet recognized the urgency and necessity of the reform.[5] Therefore, if the legal representative of the village collective economic organization is not the same person as the responsible person of the village party organization or the village committee, it means that the power of the village collective economic organization has been redefined. However, according to legal requirements, as long as they are members of the collective economic organization and meet relevant conditions, they can participate in the election of the village collective economic legal person. Therefore, to obtain and implement economic power, supporting supervision and balancing measures must be taken.

#### **3.3 Lack of subject awareness leads to villagers' low participation**

The government and rural collective economic organizations are the designers and implementers of the reform, but in the specific implementation process of the reform, there are not many procedures that require villagers to participate in meetings and voting. Only the formulation and revision of the articles of association require more villagers to gather together for voting, and other reform procedures can generally be voted on by member representatives' meetings. In this case, villagers seem to be outsiders to the reform and rarely participate in the reform process. The rural collective property rights reform is more about letting villagers participate in the important results of asset inventory and member registration through public resolutions. Villagers find it difficult to recognize their own role in the reform, form a clear understanding of the reform, and even have no willingness to participate in the reform. Because without actively checking, they will not know about the asset resources of the rural collective economic organization, member confirmation, or

even whether they have been confirmed as members and what collective property rights they have.

## **4. Countermeasures and Suggestions for Deepening the Rural Collective Property Rights Reform**

### **4.1 Exploring local institutional norms according to local conditions**

On December 30, 2022, the Draft Law of the People's Republic of China on the Organization of Rural Collective Economy began to solicit opinions publicly. Rural collective economic organizations need to understand who they are serving, how to make decisions on various affairs, manage collective assets, and distribute them, which are the most concerned issues in real life. However, as an important market participant in the agricultural and rural sectors, compared with companies, the content of the rural collective economic organizations' equity provisions in the draft is much less than that in the Company Law. So in future market competition, rural collective economic organizations will have no clear legal equity provisions and are still in a state of no legal basis. Supporting regulations for the Rural Collective Economic Organizations Law also need to be formulated, such as registration and management, election of new members, operation and management, etc., all of which require clear institutional requirements. Details related to legal personality status, registration, tax and fee policies need to be clarified and standardized.[6] Before the official legal documents are issued, local governments can innovatively formulate relevant normative systems based on pilot experience to guide the development of rural collective economic organizations and deepen the rural collective property rights reform.

### **4.2 Streamlining mechanisms and strengthening rural collective economic organizations**

Reform is not a stagnant process, with its content varies at different stages of development. So is the reform of the rural collective property rights system, which should also move with the times. Before 2020, the focus of reform was on specific procedures such as property inventory, member confirmation standards, setting up rural collective asset equity, and quantitative management, which were related to previous reforms. However, the main focus of the system reform has now shifted from promoting to deepening, with the emphasis on how can rural collective economic organizations effectively operate and manage, develop new paths for rural collective economic development, and explore the expansion of the rights and powers of rural collective asset equity. Therefore, rural collective economic organizations should also keep up with the times and explore new businesses such as rural collective equity pledge loans and rural land contract management loans on the basis of existing reforms to meet the constantly evolving needs of rural collective economic development.

### **4.3 Releasing the dividends of reform to stimulate villagers' subject awareness**

Different positions entail different responsibilities. In rural governance, the government and villagers should have a correct understanding of their relationship: the government leads the reform process while maintaining the villagers' subject status and clarifying their respective responsibilities. The most direct way to stimulate villagers' enthusiasm for participating in the reform and understanding the reform of the rural collective property rights system is to distribute surplus profits. Clearing the base and clarifying property rights are requirements of the reform and the goal of property rights governance. Only in this way can rural collective economic organizations operate reasonably, realize the preservation and appreciation of rural collective assets, and ultimately benefit the villagers. Rural collective economic organizations can release the dividends of reform by

implementing reforms to develop and expand their economy. Surplus profits can be distributed in different ways, with the most straightforward and effective way being to distribute cash dividends directly. Based on the surplus situation of the village collective and the villagers' shareholding situation, cash dividends can be distributed to allow villagers to truly feel the benefits brought by the reform. Through this approach, villagers can sufficiently aware that the reform is centered around them, and as the main body of the reform process, they can actively participate in the reform.

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