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The experience of China's forest reforms: What they mean for China and what they suggest for the world[☆]

William F. Hyde^{*}

Duke and Virginia Tech Universities, Emeritus, 1930 South Broadway, Grand Junction, CO 81507, USA

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ABSTRACT

The intent of this Special Issue is to address: what has been done in China's recent forest reforms, what remains for China, and what from this experience transfers usefully to the rest of the world. This introductory paper begins with a review of the early reforms and the initial evidence of their merit, which forms a necessary preface to more recent research summarizing the effects of a second round of reforms beginning in the mid-1990s. After the early review, this introduction introduces the papers in this Special Issue that a) continue with additional perspective on the early reforms, b) review subsequent experience with China's more recent second round of market reforms and newer environmental policies, and c) discuss current considerations regarding potential reforms of China's state-owned forest enterprises, and d) the global implications that might be drawn from all of China's experience to date.

1. Introduction

2018 marks the 40th anniversary of China's market reforms. These began in 1978 with local agricultural reforms, first in Anhui but almost simultaneously in several other provinces. They spread rapidly to agriculture across the country and then to other sectors of the economy as well. They had spread to forestry by 1982 as China's farm households recognized the success achieved when agricultural responsibilities were transferred from centralized management at each of China's collective farms to individual households within the collectives. The households demanded similar opportunity with the collectives' forestlands.

The world is aware of China's rapid economic growth in general since the beginning of these reforms, and of absolutely remarkable gains in household income and individual welfare. Agricultural production increased 225% over the six years from 1978 to 1984. Rural household incomes increased six-fold in real terms by 1998. Aggregate economic growth expanded at a double-digit annual rate over the same period (China Statistical Yearbook, 2000) and has continued ever

since.¹

An expanding literature traces the more specific experience of China's forest reforms and the lessons to be learned from this experience, lessons for China as the implementation of the reforms have often varied from province to province, as the reforms for the collectives remain incomplete even now in 2018, and as they have, as yet, had little impact on the 40% of China's forests that are managed by state-owned enterprises. There are also lessons for the rest of the world where the forest policy discussion often features the presumed advantage of community-wide collective forest management—in seeming contrast with China's success with transition beyond its period of collective management to its more recent experience with individual household management.² A review of China's experience and of this literature, together with their broader implications, is the objective of this Special Issue of Forest Policy and Economics.

The experience of China's collective forest reforms, was a theme of the Fifth International Faustmann Symposium hosted by Beijing Forestry University in October 2016. Joseph Chang and Peichen Gong

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^{*} Corresponding author.

E-mail address: wfhyde1@gamil.com.

¹ The classic citations are Lin (1988, 1992), McMillan et al. (1989), and McMillan and Naughton (1992).

² Be careful of differences in the use of the world “collective”. For China, “collectives” refer to the formal entities that retain, to this day, the legal ownership of its local agricultural and forest lands. Before the reforms, these collectives each held its own centralized responsibility for production on these lands. Since the reforms, the collectives have transferred ever-increasing management responsibilities to the individual household members of each collective. In global forestry, on the other hand, the terms “joint” and “community-wide” are more common descriptors of management participation by a local group entity—but, within the discipline of economics, all fall within the general concept of “collective” activity.

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recognized the importance of the topic and the merit of some of the papers presented there. They encouraged this special issue of the Journal. Others at the Symposium supported the idea and encouraged its expansion to include those latter two points—what remains for China's reforms and how does China's experience transfer to the rest of the world.

The intent of this Special Issue is to address all three points: the recent history of China's forest reforms, what remains for China, and what from this experience transfers usefully to the rest of the world. The authors of the papers in this special issue have participated in China's forest policy reforms, some of them since its inception in the 1980s. All of them continue their interest in these reforms to this day but most have also expanded their interests and their experience to include forest sector activity in other regions of the world. What follows is a summary of their research and their most recent observations.

This introductory paper begins with a review of the early reforms and the initial evidence of their merit. This introduction is necessary preface to more recent research summarizing the effects of a second round of reforms beginning in the mid-1990s. After the early review, this introduction introduces the papers in this special issue that a) continue with additional perspective on the early reforms, b) review subsequent experience with China's more recent second round of market reforms and newer environmental policies, and c) discuss current considerations regarding potential reforms of China's state-owned forest enterprises and d) the global implications that might be drawn from all of China's experience to date.

2. The earliest reforms

2.1. Setting the stage

Forestry is, arguably, “of greater importance to China than any other country in the world” (Richardson, 1990, p. 14). Wood is a basis for construction to a larger extent in China than in many other countries and it remains the largest source of energy for many of China's rural households. Moreover, as agriculture continues to be the largest sector in China's economy, its agricultural productivity depends on water conservation and erosion control and, therefore, on the afforestation of the catchments.

Since the beginning of modern China in 1949, a continuing large scale, centrally directed, reforestation effort has been one feature of forest policy. Centralized planning called for afforesting 100 million hectares in the 12 years starting with 1956—including the 1.6 million hectare Green Great Wall, a shelterbelt defense against expanding desertification in the north and west of China. Unfortunately, seedling survival in the newly afforested lands was often poor.

Meanwhile, land reform, a primary objective of the new People's Republic in 1949 led to the establishment, first of communes and then of collective agricultural farms and, on these, 6.7 million hectares of grassland were converted to crops in response to the first Five Year Plan's (1953–57) emphasis on maximizing grain production. Land reform, however, was not the only theme of the first Five Year Plan. This Plan earmarked 58% of all state investment for industry, especially heavy industry, and that led to the creation of large integrated state-owned forestry establishments in the Northeast. The inefficiency of these remains a problem today—and a theme of the final discussion in this special issue.

Subsequently, the Great Leap Forward (1958) introduced industrial activity, even heavy industry, into the agricultural communes. One result was the creation of backyard steel furnaces and their imposition of sharply increased demand for, and then severe shortages of, fuelwood. In one example province, Gulin, forest cover decreased from 48% of all land area in 1958 to 11% by the mid-1970s.³

The result? The forests were in lamentable condition in 1978 as China began its pragmatic introduction of market reforms. Forests covered only 115 million ha, 12.3% of China's landscape, among the very lowest proportion for any country in the world. Their stocking at that time (76.5 m³/ha and less than 0.1 m³/capita) was also among the very lowest in the world (China Forestry Development Report, 2000).

2.2. The first round of forest reforms and their earliest assessment

China's agricultural reforms began with contracts between the local collective and individual households within the collective. These households contracted for land use rights in return for a share of the collective's quota of agricultural production. Households retained the rights to production in excess of their quota share and they were allowed to sell this excess at market prices. These reforms were advantageous to the collective and other government administrators as they reduced their transactions costs and advantageous to the households who now had an incentive for their individual production activity.

These reforms, which became known as the Household Responsibility System (HRS), spread rapidly. They received the central government's official sanction in September 1980 and spread to 70% of all rural communities by 1984. Agricultural production exploded, increasing more than 225% over these six years. An initial two-price system, one for the collective's quota and the other for the excess production that households sold in the market, was difficult to maintain and, in 1985, the households were allowed to sell their entire production at market prices. The expansion in agricultural production continued.

Rural households observed the success of these agricultural reforms and demanded similar opportunity in forestry. The responses, by the forest agencies and by the collectives and by the households themselves, were entirely different, however, in the two regions that comprise most of the collective, non-state, forest sector.⁴

The agricultural North Central Plains (Henan, Shandong, and adjacent areas) was almost devoid of trees or forests. Forest cover was only 5% of all land in the region in 1977 and forest administration in the region was largely limited to carrying out the afforestation mandates of the central government. In this region, a household forest tenure system known as “land carrying trees” quickly followed HRS in agriculture. Bare lands suitable for growing trees were contracted to households, as were trees that were on or near agricultural lands. A few larger shelterbelts and commercial forest plantations were also contracted to households. Overall, the contracted share rose to 91% of the limited forest area in the region by the end of 1984. Because the markets for forest products had been so limited, government administration also remained limited. Farm households accessed the timber market freely as both buyers and sellers. Harvest permits were unnecessary, state procurement companies were nonexistent, and taxes on forest products were low, ranging from 3% to 8% of sales revenues.

The experience was different in provinces south of the Yangtze River. Agriculture is important in this region as well, but the southern region's favorable natural conditions make it a major timber producer. Nevertheless, its forest cover was also low at the beginning of forest reforms (34,638 million m³ on 639 million ha of collective forest in 1983, or 55 m³/ha, most of which was in this southern region). Households here too demanded forest reforms similar to those in agriculture but the authorities were less responsive. Some argued that

(footnote continued)

his dissertation, reproduced as Zhang et al. (2000), traces forest experience through much of the 20th century for the interesting example of the island province of Hainan.

⁴ Yin et al. (2003) summarizes the experience of these two regions during the 1980s.

³ Richardson (1990) reviews much of this experience. Zhang in a portion of

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