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40 Years of China's forest reforms: Summary and outlook

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ABSTRACT

In this final note, we draw conclusions and suggest recommendations for further inquiry. We organize our conclusions and recommendations into four sections: progress over the course of the reforms; the debilitating effect of policy uncertainty; labor, equity and the environment; and questions about the remaining approximately 40% of China's state-owned forests. In addition to exploring the potential outlooks and pathways surrounding these issues, we also note the salient needs for more adequate and inclusive data in their further assessments and lessons that the international community can draw from China's experiences.

1. Introduction

This special issue has summarized perspectives on China's first round of forest reforms in an introductory note (Hyde, 2018) and followed with nine papers that, first, re-examined that first round for one important region of the country, then surveyed the second round of reforms beginning in the mid-1990s. Those papers continued with perspective on recent conditions, particularly conditions regarding the specific issues of employment, the environment, non-timber products and equity in the effects of the reforms. It remains for us, in this brief final note, to draw conclusions and suggest recommendations for further inquiry.

We will organize our conclusions and recommendations into four sections: progress over the course of the reforms; the debilitating effect of policy uncertainty; labor, equity and the environment; and questions about the remaining approximately 40% of China's forests, the SOF enterprises. One feature of China's experience is the extent to which many of the questions for China also resonate throughout forest policy in all the regions of the world. Therefore, both the insights gained from these nine papers and the further questions that emerge from them bear relevance for forestry well beyond China's borders.

2. Reform progress

The reforms themselves have been the primary focus of China's policymakers and its forestry policy researchers. They are also the primary interest of external observers like ourselves. The general perspective is that the effects of the reforms have been positive—although

there remain some, such as Liu et al. (2018a) in the first paper in this collection, who retain doubts. The general view is that improvements both in individual tenure and in market liberalization, the two comprehensive components of both the first and second rounds of reforms, have led to improved conditions in the China's collective forests in the short-run as well as the long-run.

Improved individual tenure refers to the many steps in the process of devolving the centralized land management responsibility of the collectives to individual farm households. For forestry the process began in the early 1980s and went through various forms in different provinces but has continued through several improvements without reversal since the late-1990s. Households now have contracted long-term management rights with official certificates documenting those rights for the great majority of collective forest lands. The households have well-identified boundaries for their forest lands, rights to select crops and cropping patterns, and rights to use these lands as collateral for obtaining investment income. The results of these improved rights show in an improved forest environment and improved household welfare. Simultaneously, the reforms have simplified the requirements for bureaucratic oversight for the authorities of both the local collectives and the government forestry agencies.

Market liberalization, the second comprehensive reform, refers to the decreasing number and level of taxes and fees associated with forestry and also the reduction in many forest agency requirements associated with forest management, harvesting and timber sale. Taxes and fees on timber were often so great as to be confiscatory in the 1980s. Today, those taxes and fees have been reduced to very low levels and, in some cases, they are almost non-existent. Of course, any

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reduction improves the market incentive for household managers and, thereby improves their incentive to invest in longer-term silvicultural management. The level of taxes and fees is no longer an important issue of policy discussions.

2.1. Further assessments

This is the consensus opinion. Nevertheless, as long as some in China retain doubts and these doubts are shared with the traditional foresters' doubts regarding the long-term managerial abilities of small forest landowners (Hyde, 2012, pp. 344–346), further evidence will be useful, even important. China's evidence has been collected largely from the Southern Collective Forest Region. Additional evidence from other regions of China would be useful. Similar empirical evidence from other parts of the world regarding the devolution of forest responsibility from state agencies to local authorities and, beyond that, to individual households, would also help confirm the merit of devolution or, if contrary, provide insight to the characteristics of contrasting cases.

Moreover, as the devolution from collective to household rights and responsibilities in China is not complete, there will continue to be reasons to inquire into the merit of the further transfer of rights, the merit of the actual effect of any further transfer or the potential merit for remaining rights yet to be transferred. Two specific questions stand out, the first regarding the right of the new household managers to transfer their rights to households or other management associations beyond the boundaries of the original collective. This implies the development of markets for forestland. Siikamäki et al. (2015)—as indicated in the Xu/Hyde (2018) paper in this special issue—conducted an introductory inquiry into markets for forest land but the formal authority for these markets and their final structure and, therefore, their impacts on household welfare and the environment, remain unclear at this time.

Meanwhile, various institutional constraints either continue to restrict some household action or create an uncertain environment that effectively delays or otherwise restricts other household activity. As examples, a near total logging ban for natural forests now sharply limits the timber harvest opportunity on household managed lands and, where it does not, the continued imposition of logging quotas offsets much of the improved incentive derived from improved household rights. In addition, encouragement to sell at government market centers imposes complicated transactions cost and commissions for the sale of timber. As a second example, the new certificates enable the use of land as collateral for loans and investment, but loans for periods greater than two years are seldom available and that short period is a constraint on the investments necessary for the longer production periods common in forestry. Rigorous assessments of these institutional constraints on household forest activity could help establish either their destructive effect or their social and environmental merit and, in either case, should assist policymakers as they consider further reforms.¹

One reason there have been few assessments of either forest reform or, more specifically, changing forest land tenure for other regions in China—or in the world—is that the data requirements are extensive. The most useful assessments require household and forest panel data covering a time period sufficient to both physical and economic evidence from both before the tenure rules have changed and after they have progressed sufficiently to demonstrate measurable effect. Similarly, the institutional changes involved in the changing tenure are also likely to occur over years. Of course, the time required for slow growing forests to show measurable change may be even greater. This is not the simpler agricultural case where crops sometimes change even multiple times within a single year and this crop timing difference from agriculture is one reason why the few empirical studies of tenure reform

tend to focus on agriculture and not forestry.

Furthermore, the necessary data for an inquiry about forest reforms must include evidence of household use of labor and capital inputs for silviculture, and the forest evidence itself must feature that part of the total forest that is managed and used. This is different from, and generally less than, the total of all forest, economic and otherwise, contained in the usual official forest inventory—and another difference from agriculture that seldom has to consider an external margin of unmanaged, naturally growing, crops. While household data are useful in elucidating individual decision making and production behavior, it would be desirable to collect data that would permit simultaneous assessments of household impacts on changes in aggregate forest conditions. In sum, the data requirements for assessments of forest reforms are extensive and, because of that, expensive to collect, as noted by Zhang (2018).²

2.2. Implications for the rest of the world

The lessons of China's reforms seem to show the merits of the devolution of land use rights from the collective to individual household management at the same time the global forestry discussion seems to focus on the devolution from state to local community management—where the formal local community organization bears some similarity with China's collectives. Is China's experience reason to agree that the global discussion does not go far enough, that the global discussion should extend to devolution beyond collective community management to individual household management? This question too bears inquiry.

Kant (1996), Johnson (1998), and Dangi and Hyde (2001) with illustrations from India, Honduras and Nepal, respectively, showed that devolution to combined two-party authority of central agencies together with local people is difficult because the different objectives of the two participants often lead to less than desired outcomes for both. So, should all management be transferred entirely to independent local agents, as has been the direction of China's successful reforms?

In fact, for most of us it is clear that the efficient level of management of the rights for a resource must depend on the location of the shared values for that resource. For broadly shared national values such as those for a unique resource like Yellowstone, the Serengeti or Sagarmatha, broad national management is required. For more regionally shared values that are not held to great extent by those who live beyond the region, then management by some regional agent would be efficient. We have many examples throughout the world of successful regional or local management of community parks and community watersheds. Where an individual has greatest knowledge of the unique resource in question, then individual management would be efficient. This is the case of agriculture. The individual farmer knows the unique characteristics of his or her land better than anyone else and, therefore, he or she is the best manager of its productive capacity. This observation is confirmed by the by the short and duration and transitory nature of most attempts at its opposite, cooperative agricultural production activity (Andersson and Agrawal, 2011, and Hyde, 2016).

On the other hand, there are scale economies to some forms of production that do enable successful collective action, usually by self-selected groups rather than groups broadly representative of some shared political unit. The best-known examples are probably agricultural marketing cooperatives, but we have seen a few forest management examples in China. When Chinese households first received rights to forested plots, those plots were often very small and scattered. One household might have rights to as many as six forested plots of accumulated area less than one hectare all scattered widely with none

¹ Liu et al. (2016) discuss these contemporary institutional issues in greater detail.

² Yin et al. (2016) discuss the challenges that exist for attempts to link the devolution of tenure to forest conditions, stressing the empirical gaps in both data quality and quantity.

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