20 Years Forestry Reform in China: Review and Prospects*

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Abstract

Along with China’s reform and opening to the outside world since the end of 1970s, a series of in-depth forestry reforms in social systems and mechanisms started in early 1980s. Twenty years of reform have brought huge changes to China’s forestry. The policy of forestry development is shifting from timber first forestry based on natural forest harvesting for nearly 30 years to ecology first forestry based on ecological and environmental protection. Forest ownership system changes from state-ownership supplemented with collective ownership under a central planning economic system to the coexistence of state, collective, and private ownership under a socialist market economic system. Timber markets are changing from the closed mode of price decided by the government to the opened mode of market pricing under WTO systems today. The forest resources situation has changed from decreasing area and declining quality to increasing of both area and standing volume. Timber supply has changed from relying only on timber from state-owned natural forests to relying on timber from plantations and imported timber. Forestry R&D used to serve the government, but is now serving the current market. During the next 20 years, China’s forestry reform and development still faces quite heavy tasks. The objectives of reform in the forestry system and mechanism have not been completely fulfilled. The healthy development of China’s forestry is still restricted by some problems such as the shortage of total amount of forest resources, increasing desertification, aggravation of water and soil erosion, fragility of biodiversity, severe ecological environmental problems related with plantations, and low efficiency of forest products and service. Based on the new “ecology first” forestry development policy, Chinese Government will input hundreds of billions of RMB in the future (10 years): on the key projects of natural forest protection, grain for green, desertification control, shelterbelt construction, biodiversity conservation, and industrial plantation construction. Six Key National Forestry Projects will be brought into the Tenth Five-Year Plan of China’s national economy and development in order to accelerate China’s forestry and to achieve ecological and environmental security.

THE BACKGROUND OF FORESTRY REFORM IN CHINA

Rural Reform (1979 – 1984)
In this period the focus was on the rural reform. Public ownership was the main focus for rural forest, while various economic elements coexisted. A breakthrough was made in the establishment of pluralistic, multi-level and multi-type forestry management entities.

In October 1984 the Decision on Restructuring Economic System was adopted. At the end of 1991, the stress of reform shifted from rural to urban areas, which featured a transformation of the business management mechanism and a change from profit submission to tax collection for state enterprises so as to make them relatively independent economic entities and a dominant force in the market. The circulation system of wood and wood products was in a

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transition from the planned economy to the market economy, the international environment for forestry development became increasingly better and the forestry legal system was continuously improved.

System Reform
In 1992, China's reform of the economic system entered into the third and the key period. The Decision on Several Issues Concerning Establishment of the Socialist Market Economic system was adopted by the Third Plenary Session of the Fourteenth CPC Central Committee in 1993. The supplementary reform of taxation, finance, prices and foreign exchange was undertaken in 1994, which pushed the implementation of the open-door policy and the development of the socialist modernization into a new period. During this period, China's forestry entered into the comprehensive and supplementary reform period.

THE MAIN POINTS OF CHINA'S FORESTRY REFORM

After the reform and 'opening' were carried out, under the guidance of the theory to build socialism with Chinese character, many significant changes took place in the economic management of forestry, they include:

- Ownership system structure is being transformed from that of single state or collective ownership to the ownership structure taking public ownership as the main body combined with multi-components of economic and common development;
- Economic management by the government is being transformed from direct management of practice to indirect management of trades by price, from direct interference to enterprise management, by charging departments of the government, due to a mixture of government and enterprise, to the separation of government and enterprise, implementation of trade guide, management by self-determination in an enterprise, victory of the excellent and elimination of the inferior;
- Motion mode of the economy is being transformed from resource disposition and market division by a plan for resource disposition through market effects and market exploitation by products;
- That the government is looked as the main body is being transformed to a management structure with juridical person, taking enterprise and individual as the main body;
- Decision risk of enterprise management would be held by enterprise and individual but not the government and society;
- Management strategy of enterprises being is transformed from dependence of the state to self development;
- Management of state-owned assets is being transformed from in kind to that of valuation and property right;
- Work and employment system is being transformed from one of guaranteed employment, labor insurance and welfare by the state to employment of the excellent by enterprise, independent selection of occupations by employees, implementation of labor contracts, consummation of whole plan and guarantee system of social welfare;
- Competition mechanism is being improved from diverse standards in different enterprises to unified regulation;
- Adjusting means of the state is being changed from a simple administrative way to one of economy and law.
“3D” Reform to Shape New Management Entities and Investment Mechanism in Forestry Management.

“3D” in Chinese refers to the three determinations, that is, stabilizing land tenure, defining household managed mountain areas and defining the forestry production responsibility system. In March 1981, the CPC Central Committee and the State Council promulgated the Decision on Several Issues Related to Forest Protection and Forestry Development, which was the prime policy for rural forestry reform. By 1984, 1781 counties had completed the forestry “3D” process, with ownership certificates issued governing a total of 97 million ha. of mountain forests. The mechanism for gross fund input has initially been established, which features labor contribution by farmers, diversified funding sources and state subsidies.

The Reform of Timber Circulation System

In 1985 the state monopoly of timber was abolished in the collective-owned forest regions in South China, and the timber price was free, breaking the closed gate of the timber market. At the same time, the administrative department of forestry licensed logging, transport and sales under the supervision of the forestry sector. A multi-element, multi-channel and multi-form timber circulation system was formed, dominated by the timber producing enterprises in the forestry sector.

The Reform of the State Forestry Enterprises

The state forest regions are the major bases for wood production in China. Continuous social and population growth, historically pending issues in the administrative system, management mechanism and economic structure, and prolonged excessive logging of forest resources interacted to bring the state owned forest enterprises gradually into a resource and economic crisis in the early period of the reform process. In 1991, the government put the four large state owned forestry enterprises in the Northeast and Inner Mongolia (including 84 forest bureaus) in the list of 50 enterprise groups for reform trials, in order to deepen the reform of state forestry enterprises and establish a modern forestry enterprise system and a new economic operational mechanism suitable to the socialist market economic system.

The Reform of the Forestry Legal System

The Forest Law of the People's Republic of China officially promulgated by the National People's Congress in September 1984 is the first basic forest law of its kind since the founding of the People's Republic of China in 1949. In November 1988, the Law of Wildlife Conservation of the People's Republic of China was promulgated. During the Eighth Five-Year Plan period, the law and legislative development entered a period of improvement and supplementation. By September 1994, China had promulgated 4 forestry laws/legal documents, 9 forestry administrative regulations, more than 60 regulations from the sectors, and over 200 local forestry by-laws and local governmental regulations, which formed the basic framework of forestry legislation. Now forests are managed with legal means and there are laws to abide by and regulations to follow.

The Reform of International Forestry cooperation Systems

Priority fields and priority development projects for international forestry cooperation have been defined in a bid to attract foreign investment and expand foreign trade in forestry. A multi-channel, multi-level and multi-form bilateral and multilateral cooperation framework has taken shape.
The Shift and Reform of Forestry Management Strategy
Since UNCED in 1992, the aim of forestry has been shifting from timber production to the development and construction of the multiple benefits and multiple functions of forestry. In 1998, China encountered serious floods in the main river systems, which aroused great attention from the government. Consequently a series of major policies has been set forth for implementation, which include the Natural Forest Protection Project which is aimed at banning the cutting of forests and rehabilitation of vegetation; returning the land to forests in the middle and upper reaches of the Yellow River and Yangtze River where the ecological environment is weak; establishment and implementation of a policy of ecological compensation; encouraging forestry technical innovation to raise forest management and use levels; and encouraging the participation of society and the general public in forest protection, rehabilitation and reestablishment.

MAIN EXPERIENCES AND PROBLEMS

Due to the above reforms China's forestry is in a very special period: government at different levels and people of all circles have an unprecedented understanding of the importance of forestry; the enhancement of the integrated national economic forces, especially the development of agriculture resulting in sufficient food supply, provides economic and social securities for forest development; successful experiences are accumulated in legal and structural reform in the 20 years of openness; certain foundations are laid in scientific research and personnel cultivation. So, China's forestry has made good progress in the past 20 years, and possesses better conditions for development in the future. China's forestry has an important position in the world (1/5 world population is in China). To study the status of forestry development in China, and sum up successful experiences is quite significant. A CIFOR synthesis on this topic will be both timely and useful.

Basic experiences
In the past twenty years, the reform and opening of forestry has been deepened continuously. On the whole some primary experiences were obtained, that is,

1. The basic philosophy of “Mobilizing the whole Party, all people working, and the entire society conducting forestry” has been determined generally, the forestry is moving more towards needs of society. Essential experiences, including planting by all people under obligation and a responsibility system for forestry meeting goals should be well defined and developed;
2. The reform of classified management for forestry has been initialized. Based on this the exploration and practice of mechanisms for forestry construction was conducted, and the reformation to marketing the ecological benefits from forestry was advanced;
3. The reformation of forestry marketing was pressed forward step by step, i.e., from the opening of the wood market and unlocking of wood prices to exploration and establishment of a modern system for enterprises, forestry policy progressed continuously on the way of a market economy;
4. External opening in forestry was broadened successfully. In the 1950's, the aid of experts from the late Soviet Union was accepted, and economic cooperation with other socialist countries was carried out, until the reform and opening policy was run. The strength of expedition and introduction were enhanced in whole orientation, and the results from the 'opening' are becoming more prominent gradually.
Some problems
However, there are also some problems to be paid attention, one is that there is a contradiction between forestry and the harmonious development of the national economy, which could be represented as “shortage”. This means the contradiction between provision of forest products, improvement of the ecological environment and the growing requirement from the development of the national economy and ecology has not been well solved. The second problem is in forest areas, including enterprise living, life of employees, occupation of employment and stability of society, which have not been solved radically. The third aspect is reflected in marketing reform, such as the right and position of the principal parts in the market, eminent domain rights to private property and treatment rights to private earning of the producer, limitations to the due rights of forestry producers from the revenue system and many charging systems. The forth problem is the weakening trend of motivation mechanisms in forestry development such as insufficient inputs and unimproved insurance mechanisms which have weakened interest in afforestation.

THE PROSPECT OF CHINA'S FORESTRY DEVELOPMENT TOWARDS THE 21ST CENTURY

The prospect
Facing the 21st century, the development of China's forestry is a heavy and prolonged task. Forest development shall take, as its aims, the safeguard and realization of the sustainable development of the national economy and society, the establishment of modern forestry with a sound forest ecological system and relatively developed forest production system, vigorously promotion of classified forest management, relying on science and education for forest revival, mobilizing the whole society for afforestation, satisfying the need of China's economic and social development for timber and forest products.

From the start of the 21st century to the year of 2010, newly added forest area shall be 39 million ha. The controlled area of desertified land shall be 22 million ha. The forest coverage shall be 19.4%. The soil erosion and the expansion of desertification shall be basically put under control. The existing natural forests and wild life resources shall be effectively protected and restored. Effective supply of forest products shall be increased continuously, basically meeting the demand for forest products from domestic economic construction. And forestry shall play an important role in economic development in rural regions, especially in the mountainous regions.

Measures
We aim to establish a reform goal of forestry that could not only accommodate the development of the socialist market economy system, but also reflect the character and objective demand of forestry, to transform the forestry economy, to develop forestry productivity and to realize the modernisation of traditional forestry. The main points of suggestion are as follows:

1. The attitude of the historic responsibility to handle forestry by the whole society should be enhanced. Society, especially the leaders and policy-decision departments in all levels must have a strong understanding of the strategic position of forestry in the national economy and sustainable development of the society. An attitude of responsibility and mission to protect and manage the ecological environment by the whole nation should be strengthened. The mechanism to run forestry by the whole of society, towards 21st century should be set through common efforts of the whole of society and all trades. Leadership should be reinforced and the responsibility of
the government at all levels pinpointed, for instance, the goal responsibility system for forestry construction must be implemented realistically during the tenure of leadership; the responsibility certificates must be signed layer upon layer, the results of forestry construction should be taken as the major content in the assessment of achievement for leadership. As the construction is a systematic engineering related to various aspects of society, the governments of each level have responsibility to exert an organizing and coordinating function in the work and to make the function departments push the progression of the construction.

2. The institution should be firm, and the construction of grass-root organization strengthened. Grass-root organization of forestry is the backbone for forestry construction, elaborating important effects in implementation of forestry guidelines and policy, popularization of science and technology, and construction management. It should be forbidden to remove or merge forestry institutes or to weaken their function arbitrarily with various kind of reason. It is suggested to confirm and improve the construction of forestry workstations with fixed organization, members and function, so the outlay origin is ensured truly.

3. Engineering management should be consolidated with normalized actions of construction. To enforce engineering construction successfully, rules and regulations, as well as management methods ought to be constituted, which could be seasoned with the market economy system, being able to strengthen management and to normalize construction action. On implementation advanced experiences and practices could be absorbed from foreign countries or other trades, such as the public bidding and rendering and backward accounting in the engineering of ecological construction, etc.

4. A support policy and fund input should be put into effect. All terms of important construction in forestry, based on classified management as well as the construction of a sustainable system are pressed, a great range of input from the state and local governments is demanded as insurance. It is suggested that under the full performance of obligations of the main body in input, the combination of state with locality, collectivity, unit and individual is made with a broad mobilization of common participation by the whole society, the construction fund is to be raised through many channels, layers and forms. For instance, based on the current Forest Law, the ecological benefits could be pushed into the market by formulating and performing “Compensation Method for Ecological Benefit”.

5. The legal system should be reinforced to perfect the safeguarding system for forestry construction as to protect and manage the ecological environment, according to laws it is thought to be the essential requirement to guarantee the sustainable development of economy and society. It is suggested to establish the systems of laws and regulations covering the whole ecological construction and being composed of laws, administrative rules, regulations from departments and local codes, based on the “Law of Environmental Protection”, “Forest Law”, “Law for Land Management”, “Water Law”, “Law for Soil and Water Conservation”, “Grassland Law”, “Law for Protection of Wild Animal”, “Law for Desertification Control”, etc. At the same time, the organizations and teams to execute laws should be improved, the execution and monitoring of law-execution is to be intensified, so that the construction of an ecological environment can be assured in laws.
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