

# **Market-based Approaches to Sustainable Forestry Development and Forestry-based Poverty Alleviation: Global Trends and Implications for China**

**An International Conference on Sustainable Forestry Development in China**

**11 – 12 May 2001**

**Huang Shan (Yellow Mountain), China**

**Co-Sponsors:**

**Center for Chinese Agricultural Policy of the  
Chinese Academy of Sciences**

**Research Center for Environmental and Ecological Economics of the Chinese Academy of Social  
Sciences**

**Department of Law and Legislation of the  
State Forestry Administration of China**

**CCICED Task Force on Forests and Grasslands**

**Forest Trends**

## **Background and Agenda**

### **Purpose**

The purpose of this conference is to present market-based approaches to forestry development and forestry-based poverty alleviation to policy makers in China. The conference will focus on the potential role of markets and the private sector to contribute to forestry development and poverty alleviation, and include leading examples of successful market innovations from countries around the world. The conference will inform a growing debate in China on the policy reforms necessary to enable forestry to better contribute to rural development, while protecting the environment and meeting domestic demands for forest products and services.

### **Background**

China's forests are a major source of rural employment, a major contributor to GNP, and a major provider of rural energy. These forests also provide important environmental services, including watershed protection, biodiversity conservation, and carbon sequestration. Major flooding in 1998 led the Government of China to impose selective logging bans and establish a comprehensive forestry program - the Natural Forest Protection Program (NFPP). In the short-run, these initiatives have reduced timber supply from natural forests, putting at risk the livelihoods of the populations directly and indirectly reliant on harvesting from those forests. In addition, these measures are adding to the already growing pressure

on China's plantations and boosting the demand for imports, thus affecting the status of forests regionally. The NFPP also set new targets for plantations and foreign direct investment in plantations.

Partially in response to these issues and partially in response to the growing disparity in household incomes between the western and eastern regions of the country, the Government of China also recently initiated a large-scale development project, the Great Western Development Strategy (GWDS), and created a Task Force on Forestry and Grasslands under the auspices of the China Council for International Cooperation on Environment and Development (CCICED). The purpose of the GWDS is to promote natural resources-based economic development in the Western provinces while the purpose of the Task Force is to advise on the Government on the implementation of the NFPP and the GWDS, and provide advice on forestry development generally.

While there has been significant shift in control from the public to private sector in forestry in the last several decades, forestry has lagged behind other sectors in liberalization. The current pricing, marketing, and regulatory framework does not adequately encourage private sector participation in forestry, whether domestic or foreign, reform of the state-owned enterprises are incomplete, and forest owners are not compensated for the many environmental services generated from their forests. The Government recognizes the need for additional policy reform and is increasingly open to market-based approaches to forest conservation and development, and forestry-based poverty alleviation.

In sum, the Government's key concerns related to forestry include: increasing incomes of the rural poor in western provinces and to do so in an environmentally and socially appropriate manner; promoting alternative sources of employment for those displaced by the new forestry policies; meeting the domestic demand for forest products by increasing plantations and the productivity of natural forests; completing the liberalization of the policy framework, and modernizing their forest industry, in part by encouraging international investments.

The Government's success in addressing these concerns, and ensuring that forestry is a strong and sustained contributor to economic development and poverty alleviation in China will require a sound grasp of a number issues, including the following:

- the domestic impacts of forest policies, and the additional policy reforms warranted to promote sustainable forestry, modernize forest industry, attract additional investments, and increase employment and incomes;
- innovative institutional experiences, whether from China or from around the world, that have demonstrated effective approaches to develop new forests or conserve those remaining;
- regional trends in forest products and the social, environmental and economic tradeoffs of domestic production versus imports of key products demanded by the Chinese economy;
- the potential of markets for environmental services to add value to forests and rural incomes, and the steps necessary to promote those markets; and
- the potential for additional foreign investment in forest production and industry, and the criteria and interests of foreign investors.

The International Institute for Environment and Development (IIED) is currently conducting research with Government ministries on a range of critical policy issues, including forest tenure and contracting, forest taxation and fees, company-community partnership, markets for environmental services, and forest

certification. This work is scheduled for completion, with recommendations ready for policy makers, by May 2001. The Center for International Forestry Research (CIFOR) has been conducting research on the Chinese forest policy experience and plans an international conference in June 2001. The World Bank is providing technical assistance to the CCIED Task Force on Forestry and Grasslands and plans to launch a new set of fieldwork on policy issues in Western China in early 2001. The preliminary findings from this fieldwork would be available in early May, and an interim report for policy makers would be available by October 2001. While this ongoing work is extensive, none of these efforts introduce international experiences of market-based approaches to forest conservation and development to Chinese policy makers.

# Agenda

## Friday, 11 May 2001

Morning Chair: Cheng Shengkui, Deputy Director General, Institute of Geographic Sciences and Natural Resources Research (IGSNRR), Chinese Academy of Sciences.

- 8:30-8:45      **Presentation of Agenda**  
*Xu Jintao, Centre for Chinese Agricultural Policy (CCAP)*
- 8:45-9:15      **Remarks by Michael Jenkins, Executive Director, FT**
- 9:15-10:00    **“Introduction to Key Challenges to Forest Conservation and Development in China”**  
*Wang Xuan, Deputy Director General, Department of Policy and Legislation, SFA*
- 10:00-10:30   **“Global Trends and Issues in Forests and Forestry”**  
*Andy White, Forest Trends (FT)*
- 10:30-10:50   Discussants: 1. *Yin Runsheng, Michigan State University.* 2. *Gary Man, USDA Forest Service*
- 10:50-11:00   **Question & Answer Period**
- 11:00-11:20    Break
- 11:20-11:50   **“International Impacts of Chinese Forest Policy”**  
*Zhu Chunquan, WWF - China*
- 11:50-12:20   Discussants: 1. *David Gordon, Pacific Environment.*  
                 2. *Yang Shimin, Natural Forest Conservation Center, SFA*
- 12:20-12:30   **Question & Answer Period**
- 12:30-1:30     Lunch

Afternoon Chair: Michael Jenkins, *Forest Trends*

- 2:00-2:30      **“Forests, Livelihoods and Poverty Alleviation: Lessons Learned”**  
*Sara Scherr, Forest Trends, University of Maryland*
- 2:30-3:00      Discussants: 1. *Scott Rozelle, University of California;*
- 3:00-3:10      **Question & Answer Period**

- 3:10-3:40     **“Private Sector Participation in Sustainable Forestry Management: Findings from the global study by IIED”**  
*Natasha Landell-Mills, IIED*
- 3:40-4:00     **Discussants:** *1. Lu Wenming, CAF;*  
                    *2. Wang Qianjin, Deputy Director of FEDRC*
- 4:00-4:10     **Question & Answer Period**
- 4:10-4:30     Break
- 4:30-5:00     **“Global Review of Forest Tenure: Strategies to Enhance Community Security”**  
*Lynn Ellsworth, Forest Trends*
- 5:00-5:20     Discussants: *1. Bill Hyde, Goteborg University, Sweden*  
                    *2. Zheng Baohua, Yunnan Academy of Social Sciences*
- 5:20-5:30     **Question & Answer Period**
- 6:30 – 8:00    **Dinner presentation by Ikea: “The Chinese Wood Processing Industry: Domestic Issues and International Opportunities”**  
*Magnus Löfmark, IKEA*

## **Saturday, 12 May 2001**

Morning Chair: Sun Changjin, RCEEE

- 8:30-9:00     **“Markets for Environmental Services: New Strategies for Rural Development”**  
*Bob Smith, Director General, State Forests of New South Wales, Australia*
- 9:00-9:20     Discussants: *1. Wang Xuan, State Forestry Administration;*  
                    *2. Liu Can, FEDRC*
- 9:20-9:30     **Question & Answer Period**
- 9:30-10:00    **“Market-Based Instruments for Watershed Protection: Lessons from Around the World”**  
*Marlou Church, The Nature Conservancy*
- 10:00-10:20   Discussants: *1. Zhou Guomo, VP, Zhejiang Forestry College;*  
                    *2. Liu Guangquan, China Water Resource Institute*
- 10:20-10:30   **Question & Answer Period**
- 10:30-10:50   Break

- 10:50-11:20    **“Market-Based Innovations for Environment Conservation in Brazil”**  
*Mario Monzoni, Friends of the Earth - Brazillian Amazonia, Brazil*
- 11:20-11:40    Discussants: *1. Mafa Chipeta, Deputy Director, CIFOR*
- 11:40-11:50    **Question & Answer Period**
- 11:50-12:20    **“Market-Based Instruments for Forest Services in Costa Rica”**  
*Luis Gamez, Ministry of Environment, Costa Rica.*
- 12:20-12:40    Discussants: *1. Natasha Landell-Mills, IIED;*  
*2. Uma Lele, World Bank*
- 12:40-12:50    **Question & Answer Period**
- 12:50-2:00     Lunch

Afternoon Chair: *Andy White, Forest Trends*

- 2:00-2:30      **“Industry-Community Partnerships: Models and Lessons from Around the World”**  
*James Mayers, IIED*
- 2:30-2:50      Discussants: *1. Bill Hyde, Goteborg University, Sweden*  
*2. Yin Runsheng, Michigan State University*
- 2:50-3:00      **Question & Answer Period**
- 3:00-3:30      **“Joint Forest Management and Community-Industry Partnerships in India”**  
*N.C. Saxena, Secretary, Planning Commission, Government of India*
- 3:30-3:50      Discussants: *1. Mafa Chipeta, World Bank;*  
*2. Li Weichang, Professor, Chinese Academy of Forestry*
- 3:50-4:00      **Question and Answer Period**
- 4:00-4:20      Break

Summary Session Chair: *Huang Jikun, Director of CCAP*

- 4:20-5:20      **“Summing Up: Key Issues and Challenges to Improve Forestry's Contribution to Rural Development in China”**  
*Shen Guofang and Uma Lele: Co-Chairs of Task Force and Chen Genchang, SFA*
- 5:20-5:30      **Closing Remarks**  
*Representatives of FT and CCAP*

**Sunday, 13 May 2001**

7:30-15:30     Field Trip

