

Topics

- NFPP
- SLCP
- Tenure Reform
- Eco-compensation Program
- Domestic Production Growth: Main Drivers
- Trade forecast
- Forest Trends in China

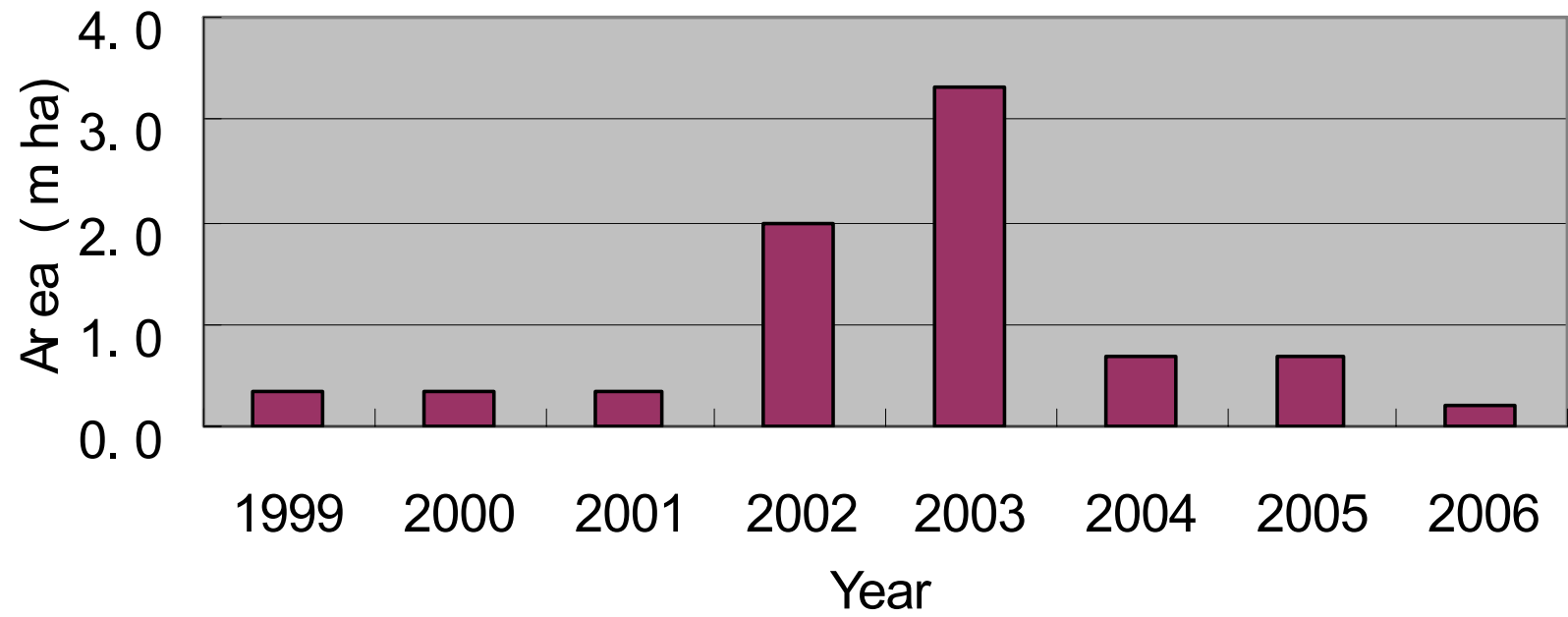
Natural Forest Protection Program

- 1998-2010, Upper reach Yangtze, Mid-upper reach Yellow, Northeast China
- Annual reduction of timber production from natural forests: 20 mi. m³, by 2003), 20% national total production
- With offsetting effect from plantation, aggregate reduction is about 10% (FAO 2006)

What after 2010

- Global economy still dominate trade pattern
- Timber production recover by 10 mi. m³ from NFPP area, not much.
- A more diverse tenure system in state forest areas, leading to more timber production in the future?

SLOP Area (m ha)



Sloping Land Conversion Program

- Meant to be the largest conservation set-aside program: 14.7 million ha by 2010
- 300 billion RMB
- Lost political will in the new government
- Lost financial mechanism
- Total target down to 10 million ha and will probably end in 2008
- Sustainability an issue (eco-compensation scheme as an alternative policy?)

Tenure Reform

- State Forest Enterprises in Key Areas
 - Pilot reform in Yichun City
 - Household and business contracts
- State Forest Farms
 - National Policy 2005
- Collective Forest Areas
 - Pilot reform in Fujian and Jiangxi
 - Policy guidance by end of this year

Implications of Tenure Reform

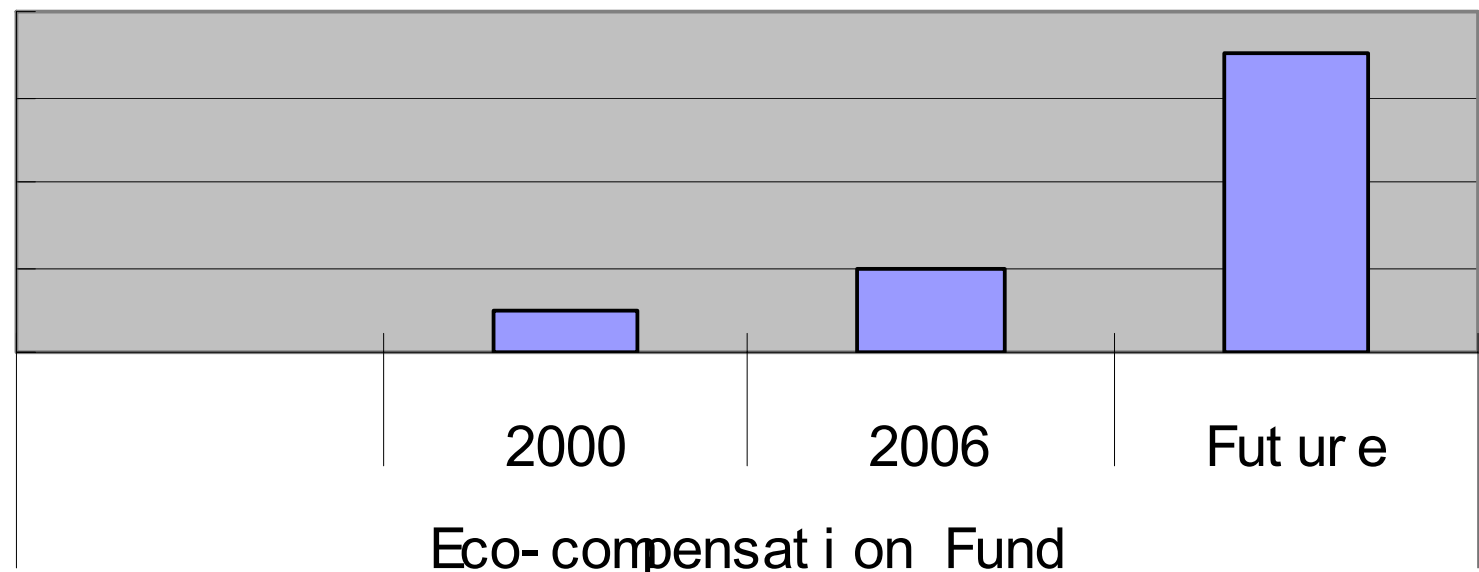
- State Forest Sector
 - Household management system
 - Private processing industry major force
 - Transformation of state forest enterprises
 - Dramatic transformation of forest authority responsibility

Implications of Tenure Reform

- Collective Forest Areas
 - Larger share of collective owned forests under household/private management
 - Dynamic forestland market
 - Increased pressure on removal of logging quota
 - Increased harvest (up by 200% ?)
 - Administrative reform?

Eco-compensation Fund

100 million RMB



Eco-compensation Fund
Year

Eco-Compensation Fund

- Became a regular item in national budget
- Poorly designed, allocated
- Land deprivation tool for local government
- Disincentive for private investment and protection
- In the future, might turn into a bonus system
- Might be used as a follow-up policy to SLCP

Domestic Production Growth: Main Drivers

- Very strong government commitment
- Lots of national programs for larger forest areas (target of 30% of national areas)
- Nevertheless, low productivity in plantation forests
- More secure tenure rights will attract private investors
- Loosening of logging restrictions
- Continued government efforts for policy improvement and more care for rural livelihood

Future Trade Scenario

- Timber trade keeps being dominated by global economy
- Russian, SEA and sub Sahara main supplier
- Domestic production catching up but not totally displacing imports

Forest Trends in China

- Good information on global forest products trade and debates
- Credible analysis on global socio-economic as well as environmental impacts
- Help to improve design and implementation of eco-compensation scheme (water, forests, biodiversity, carbon, etc.)