

“Property Matters: Collective Forest Policy Issues and Opportunities”

Final Remarks

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Thank you for this opportunity to give final remarks to the Conference. First of all let me say that it has been a great honor and pleasure for me and for Forest Trends to work with you, our partners in China, on this project. I am particularly appreciative of the Chinese Agricultural University and our partner, Zuo Ting, who led the work and of the Forest Economics and Development Research Center (FEDRC) and its Director, Ms. Zhang Lei who both collaborated in the studies and co-organized this Conference, as well as to the Fujian Forestry Department and our colleagues of Sanming City in Fujian Province who hosted us over the past several days and from whom we have learned a lot. I am also very appreciative of the many researchers who participated in this work and did the case studies in Yunnan, Sichuan, Guizhou, Hubei, Fujian, Hunan and Anhui Provinces. We began over one year ago and since then we have spent lots of time together: meeting in workshops, traveling to the international conference in Mexico together and most recently, traveling to Fujian Province for the provincial conference and field trip together. Of course it has been a lot of fun, but I think that we have also learned a lot from each other.

Now, a few comments about what I think may be the most important things I think I have learned. But before I say this, let me first of all say that I am by no means an expert on China, nor frankly, do I intend to become an expert on China. My job, and the aim of Forest Trends, is to help you, the experts, advance your own policy and market reforms – improving forestry’s contribution to rural development and conservation. We work in many countries in the world and we try to help experts in forested countries learn from each other. Many other countries are facing similar dilemmas as you in China and are now seeking to reform their forest tenure, policies, laws, regulations, and markets. We, Forest Trends, are coordinators and catalysts, not experts – so please keep that in mind as I tell you what I see as important issues emerging from this set of work on collective forests that our Chinese friends have been undertaking over the last year.

First, I think that it is important to remind ourselves of the historical context of the forest property and policy reforms that we have discussed today – and learn what we can from history as well as from other sectors. In particular, I think that the history of the agricultural sector, and its reform process, has a lot to offer us in the forestry sector. China impressed the world, and indeed, continues to impress the world its rapid reform of the agricultural sector – starting in the 1970s. First you removed policies and regulations that discouraged individuals and households to produce – by removing quotas, price and market controls. Then, some ten years later beginning in the 1980s, you began to strengthen the property rights of households – process that is continuing today. The result was a doubling of grain production and household wages within the first 6 years following the advent of the reforms. Experts from other countries continue to marvel at how you in China, achieved such dramatic results in such a relatively short period of time.

It seems to me that we are in the early stages of such a reform in the forestry sector. I am encouraged to see innovations being tested by Provinces, such as the alternatives to the logging ban in Yunnan, where several communities are allowed to continue harvesting for fuelwood and household use, and in the Forest Factor Market that we visited in Yong An county where property rights can be traded and used as collateral for loans.

My key concern is that it appears to me that in the forestry sector the market reforms are getting ahead of the property, policy and institutional reforms – creating unfortunate consequences for China. As we know, a central and fundamental function of governments is to create conditions and institutions that enable citizens to control markets, otherwise markets create tremendous inequity: the rich get richer and the poor get poorer. For markets to actually achieve the social and economic development that citizens want, many other rights and institutions must be place. If governments liberalize markets without creating the broader enabling environment – that includes, for example the many fundamental rights that Zuo Ting discussed earlier – including rights to organize, rights to independent, free and fair judiciary, rights to legal redress, rights to participate in policy making and policy monitoring, etc, - then the rich get richer and the poor get poorer – not what governments want.

I was struck in Yong An, for example, how the Harvest Quota appeared to be a key driver of the forest rights market. Poor households who could not get Quota were selling their property rights to businessmen who could get Quota. And we know who usually has privileged access to the harvest Quota, either the relatively wealthy or people who are close to the forestry department. For example, we heard from one businessman in Yong An who has been buying forest property rights for several years and selling timber to processing companies. He reported an over 30% per year return on his investment. He also used to work in the forestry department.

In this project and in this conference we have learned that “property matters”, and indeed we have learned that it does matter, but our research also clearly shows that so property rights, and the rights to trade property are very important, but just one step. Clear rights for households to use and trade their forest products and services is equally critical. If people are allowed to trade their property, but don’t have real rights use and trade their forests, then again, the rich get richer and the poor get poorer – not what you are aiming for. If there is only reform in trading property, without reforms in the forest policies and regulations – such as the quota – here in China – there might be greater production from the forest, but there will also be much greater inequity. This seems to be an area for perhaps the next generation of forest policy research – creating the policies and institutions that citizens and governments need to govern markets – making sure that they serve the interest of all of society and not just the wealthy.

I learned another very interesting lesson this week – at least it was very interesting for me. Farmers in Zhejiang, where I was before the Fujian conference, and in Fujian Province, were replacing Chinese fir forests with bamboo – and I later learned that this was happening all across Southern and Eastern China. The reason, I learned from experts in Zhejiang and Fujian province, was that the bamboo market had been deregulated several years ago, while the forest market remained subject to the Harvest Quota – and since few people could get Quota, they were cutting their trees and planting bamboo. Indeed we learned from many local experts that there is now more bamboo after the deregulation than there was before because people have rights to use and trade their bamboo without government intervention. When I asked the Party leader in San Ming City what would happen if the State Forest Administration dropped the harvest quota tomorrow, he explained that many experts in Beijing are worried about deforestation, but that indeed, the opposite would happen – there would be more forest after the removal of the Harvesting Quota

than before. This story is a compelling illustration of the power of policy to distort not only markets but entire landscapes.

At a time when China is very concerned with boosting its domestic production of timber in order to better meet its own growing demand for wood, and at a time when China is very concerned with the growing inequality of incomes between the west and the east, I am encouraged to see that leaders are aware of these issues and are eager to take more dramatic reforms.

In this context, I am honored to introduce the next and final speaker who will close the conference, Ms. Zhang Lei who is Director of the FEDRC. I have appreciated her participation in and support of this project and of Forest Trends' other projects in China. She has worked for many years in the forestry arena. I have always found that she speaks with both passion and wisdom and so I am looking forward to hearing what she has to say now.

Thank you again.