

Towards decentralization and privatization of China's collective forestlands: A Study of 9 villages in 3 provinces

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SUMMARY

China started forestland tenure reform in the early 1980s. The reforms have been evolving and vary significantly from region to region. Unlike in agriculture, it is too simplistic to use a household responsibility system (HRS) to generalize about the reforms in forestry. Despite variations in time and place, a trend towards privatization started to become apparent when the central government began a pilot experiment called the "new stage of forestland tenure reform" in the early 2000s and went on to implement the reform nationwide. This paper compares various paths towards decentralization and privatization and the adoption of market mechanisms in collective forestry, but pays special attention to the new reforms by examining and comparing 9 villages in 3 provinces in southeast China where collective forest ownership is dominant. The impact of the new reform along with, public attitudes, and current challenges are investigated and discussed.

Keywords: land tenure, economic reform, forestland market, privatization, community forestry.

INTRODUCTION

China's forests are unevenly distributed across its provinces and are mainly concentrated in northeast and south China. The structure of forest ownership also varies across regions. The central, south, and southeast are dominated by collective-owned forests. The distribution of forest types according to ownership is listed in Table 1. The collective-owned forests account for the largest share in planted timber forests, and almost all economic forests and bamboo forests. The collective-owned forests are critical to maintaining the livelihoods of the rural people in south China (Miao and West 2004).

collective forestland intact. The form of ownership that was adopted, however, was the so-called shareholding system that was being practiced in Sanming, Fujian (see Song *et al.* 1997 and Zhang *et al.* 1999).

After 20 years of implementation of forestland reform focusing primarily on decentralization of land use rights from the collective to households, a new stage of reforms was called upon by the central government in the early 2000s, first on a pilot scale in only 4 provinces (Fujian, Jiangxi, Zhejiang and Liaoning) in 2003, closely followed by extending the reform to Yunnan, Anhui and Hebei provinces, and to more than 80 counties in other provinces. The experiment was widely believed to have been successful (Jia 2007). Now it was

TABLE 1 *Distribution of Forest Types by Ownership in China*

	Total Forest		Timber-forest		Plantation Timber-forest		Economic Forest	Bamboo Forest
	Volume (share)	Area (share)	Volume (share)	Area (share)	Volume (share)	Area (share)	Area (share)	Area (share)
State	7641 (68%)	64 (42%)	7124 (71%)	62 (48%)	378 (37%)	62 (26%)	1.6 (8%)	0.3 (7%)
Collective	3665 (32%)	90 (58%)	2961 (29%)	67 (52%)	1013 (63%)	29 (74%)	18.6 (92%)	3.9 (93%)

Units: Volume in million m³, area in million ha

Sources: SFA (2000)

Since the founding of the People's Republic of China in 1949, forests and forestland tenure have undergone significant changes. Even though all land owned by private landlords was confiscated and mostly redistributed to local farmers during the land reform, the period of private holding was very brief. In the name of the revolution, the first phase of Socialist Transformation, from 1952 to 1955, vested the ownership of private forestland in the collective ownership. In the second phase, since 1956, private forests and forestland were forced under collective ownership – initially, in the Agricultural Producers' Cooperatives, later in the People's Communes.

Unlike in the agriculture sector in which the reform was much more universal nation-wide and was called household responsibility systems in the later 1970s (see Lin 1992), forestland reform assumed different forms. Forestland tenure reform was not only started a few years later than agriculture reform, but also less transparent and straightforward. The central government only provided some guidelines and left the local governments (provincial level and prefecture levels) with flexibilities.

In the beginning, it was widely believed that public or collective ownership of forestland was superior to private ownership. This perception was largely influenced by Karl Marx's statement that public ownership of forestland had advantages because of its long rotation. The large scale deforestations that took place during the early 1980s slowed and even stopped the progress of decentralization. If individual households had the rights to the trees, they would not be willing to wait for the trees' full growth since past experience told them that the collective might take the right back. Consequently, more support was given to keeping the

ready for nation-wide implementation. It was estimated that more than 33 million ha or 1/5 of the collective forestland has been assigned to individual households (Jia 2007).

To shed some light on the reform in collective forestry, this paper reviews and analyzes the various paths towards privatization and market mechanisms as well as socio-economic context by primarily examining 9 villages in 3 provinces. The 3 provinces are dominated by collective forest ownership and represent various types of reforms. The impacts, attitudes, and responses to the new reform are reported, and some challenging questions are analyzed as well. It is expected that our findings will reflect the general picture of forest land reform in southern China.

In this paper, first we will describe the data collection, paying special attention to the method of village selection. Then we will compare the processes and types of the new reforms and households' responses to the reforms among the villages. Finally, we will discuss conclusions and suggestions for future policies.

VILLAGE SELECTION AND DATA COLLECTION

China has 10 provinces with significant amounts of collective forest ownership. Zhejiang, Fujian and Jiangxi are the top three most forested provinces, and were designated as a new reform pilot area in southern China (Liaoning province was also designated as a new reform pilot area, but it is located in northeast China and therefore not selected for this study). In addition, Zhejiang, Fujian, and Jiangxi have been following quite different paths to implement the reforms. Therefore, these three provinces were selected as our case

study provinces.

Three counties were chosen from each province in our study. Forestry is important in all counties (cities) selected in terms of both income from forestry and forest coverage. In order to ensure that our results and conclusions are representative of the region, we also took into consideration each county's geographic representativeness, forest resources, level of economic development, and dependence on forestry, based on carefully consulting officials from provincial as well as county (municipality) level governments, forestry bureaus, and scholars who are experts on this subject. The general information about the 9 villages is given in Table 2.

TABLE 2 *The 9 selected villages (2005)*

Province	Village/ County	Area (ha)	Forestland (ha) (%)	Forestland per capita (ha)	Population (persons)	Income per capita (Yuan)
Zhejiang	Xikou/Longyou	943	895 (95%)	0.70	1280	5539
	Junjian/Lin'an	555	446 (80%)	1.36	328	5462
	Niaoxi/Pujiang	598	584 (98%)	0.51	1150	5024
Fujian	Yangcuo/Nanping	854	683 (80%)	0.44	1565	3620
	Hongtian/Yong'an	1548	1261(81%)	2.10	877	5269
	Gaonan/Shawu	1579	1372(87%)	1.73	792	3500
Jiangxi	Yongfeng/Tonggu	1600	915 (57%)	1.52	602	2870
	Shangyuan/Suichuan	1406	1353(96%)	1.30	1040	2220
	Longgui/Chongyi	1000	868 (87%)	1.96	442	2900

Sources: Data collected by authors from various statistical sources

General economic and forestry data were collected from the departments of forestry and statistics of each county (city). Our data collection about the history of the reforms, especially the new reforms, was conducted through participatory discussions with representatives from the local governments, especially forestry departments, and local forest enterprises.

We organized 36 focus group meetings. During the participatory group interviews, four groups were invited: village officials, women, elders, and adults. The groups interviewed were largely organized with the help from village leaders and using their suggestions based on our requests.

A separate questionnaire was used to collect the data on the following characteristics: social and economic variables of households, such as household size and ratio of labor, education of the household head, gender distribution, forestland holdings, household income, the share of non-agriculture income, and household's willingness to adopt the new reforms. A total of 330 households were investigated, of which 101 were from Zhejiang, 106 from Fujian, and 123 from Jiangxi. The selection was assisted by the village leaders. Since many farmers were not at home during the day time, we were very much dependent on their availability.

ROADS TOWARD DECENTALIZATION AND PRIVATIZATION

Our results and evidence from the 9 villages showed some similarities but also significant variations. During the early 1980s the reform transformed some of the collectively managed land into two new land tenures:

Ziliu-shan (household-received land): This land was received by each household from the distribution of the collective forestland. The amount each household received was primarily based on the size of the household. The certificate of the holding was usually issued by County Authority. This land is most closely related to lease freehold

household land except that the use of the land was for only a limited duration. The household usually would receive 100% of the benefits from the land.

Zheren-shan (Responsible land): This land was assigned by villages to individual households which would then take responsibility for managing the land. Some households made contracts with the villages concerning the management of the forestland. The amount assigned to each household was initially based on the labor force of the household. The contract was usually made between the village authority and the household. The benefits were usually shared between the households and the villages, depending on the quality and the status of the growing trees on the land. The distinction between *Ziliu-shan* and *Zheren-shan* is in the allocation of benefits, rather than any distinction in ownership.

The remaining part of the lands are called *Tongguan-shan* (Collectively-managed land), which were still kept under collective-management at the village level. *Ziliu-shan* and *Zheren-shan* were becoming hard to distinguish as time went on since households had been issued neither certificates nor written contracts. The two systems are different only in how the benefits from the forestland are shared. In many cases the owners of *Zheren-shan* also take full responsibility for and enjoy the full benefits of the land since some bareland (often called wasteland) had no trees. Therefore, at the later stages of implementation, the two tenures were merged into *household managed land* simply

distinguishing from collective-managed land. Transferring, leasing and establishing share-holding systems of *household managed land* have been quite common throughout the whole process of implementation.

Even though the differences among the reforms can largely be identified from the scale, proportion, and timing of the three land tenures, it is nevertheless too simplistic to generalize from these factors since there are many variations in the management of the land. In the following section, we will examine each province closely first by starting from the general situation in each province, then by examining each village in that province.

Zhejiang Province

Zhejiang distributed a large amount of collective forestland to households in the early 1980s. By the end of 1983, 22% and 45% of the collective forests had been transferred into the *Ziliu-shan* and *Zheren-shan* types of land holdings respectively. Only 33% was still under collective management, called *Tongguan-shan*. From 1987 to 1989, *Ziliu-shan* was increased to 27% and *Zheren-shan* to 50%. In total, 77 of the collective forests were managed by households by the late 1980s (SFA 2006). More importantly, the reforms were further consolidated and formalized.

The timeline of distributing collective land to households in the three villages is presented in Figure 1. In Xikou and Niaoxi villages, more than 80% of the collective forest land was distributed to households by 1990, and private use rights have been maintained since then. The local farmers started to make contracts with the collective forestland administration and have been buying the collective forestland use rights since the mid-1980s. Household forestland use rights were traded among households, and the collective forestland administration invited public bidding in the early and mid-1990s. The so-called new reform in the 2000s in these two villages was simply the extension of use rights for another 50 years to 2055 combined with the adoption of a formal and nation-wide forestland use certificate.

Junjian village initially followed the same pace of reform as the other two villages. But unlike Xikou and Niaoxi villages, the household-held timber-production oriented

forest land in Junjian was taken back by the government and put into collective management in the early 1990s. It was assigned as a pilot experiment for the new reform in 2001. Essentially, the new reform involved once again re-distributing the collective-lands to households. As a result, as Figure 1 shows, more than 60% of the household-managed land was received after 2000.

During the new reforms, apart from the change in land use rights, the government undertook additional measures, such as reducing taxes, and adjusting logging policies. The agricultural special products (including income from horticulture, timber products, fisheries, animal husbandry, etc.) tax was removed in 2002 and agricultural taxes in 2005, one year earlier than most other provinces where the agricultural taxes were not removed until the end of 2006.

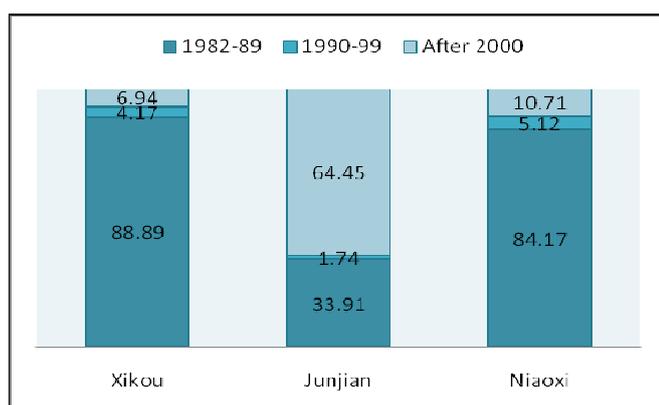
Fujian Province

Fujian took a very different road towards forest land reform. Only very small amounts of collective- forestlands were distributed to the households, with collective-forestlands having been mostly kept intact in the early 1980s. The name for this system, the Share-holding System was coined to express the idea of “sharing the land but not dividing the land, and sharing the benefits generated, but not fragmenting the forests.” In other words, the villagers got their “share” based on their household size and received the benefits based on how many shares they held. The land was managed by a special village committee which was selected by the villagers. Such a transformation was much smoother and more stable at the initial stage, and consequently became more popular and more acceptable. Many problems emerged as the village leaders gradually abused their rights and benefits, so that farmers did not receive their appropriate shares (SFA 2006, Liu 2006). The new reform is expected to correct the problem, and formalize the existing practices.

Gaonan and Hongtian villages also followed the Share Holding System model or Sanming Model that was widely practiced in Fujian in the mid-1980s. Small and gradual changes did take place from the mid-1980s on. First, land was allocated to small groups, and then from small groups the land was allocated to households. Joint forest management (combining multiple households’ forestland) was encouraged and widely practiced.

Hongtian village did not start to distribute the collective-forestland to households until the mid-1990s. On August 3, 1998, all villagers in Hongtian were called upon to discuss the distribution of the collective lands to households. The proposal received support from 80% of villagers. The important departure of their reform from that of other areas and from previous times was that they clearly called the distributed land “household freehold land” instead of “household managed land.” This bold move towards privatization of the collective forestland apparently was politically accepted and encouraged by the governments. Hongtian, as the first village in the collective forestland reform, was reported as headline news in government controlled media, China Daily, on July 6, 2007.

FIGURE 1 *The timeline of distribution of the collective forestlands in Zhejiang*



During the mid-1990s, Gaonan village started to adopt leasing and cooperative management among the households, as well as between the households and the forest industry, by pooling different resources. The households contributed the land and labor, while the forestry industry, provided the capital. In 2000, Gaonan village also initiated a different system. A few households, which were randomly selected by casting dice or drawing numbers, were able to contract to manage the collective forestland. It was proposed that a new round of contracting will be conducted again at the end of the first round.

In contrast to Gaonan and Hongtian, Yangcuo village moved to privatization more cautiously by distributing the collective forestland to only a few, small groups of farmers rather than single households in the 1980s and combining the land once again into so called "joint forest management" in the mid-1990s.

Since Fujian Province had not distributed collective forestland to households in the early 1980s, the new reforms since 2001 essentially involved making up for the missing step of transferring the collective forestland to households. For example, Yangcuo village distributed 400 ha of commercial forestland to households. Gaonan and Hongtian allocated 530 ha and 787 ha, respectively, of the collective forestland to their households.

Another big change in the new reform is rent collection. In the earlier reform, the households contracted the land usually for free. In the new reform, some charge is imposed for use of the land. The charge is essentially a user fees or rent paid to the villages. This change might reflect changes in land value from the 1980s to 2000s. The user fees have shown an increasing trend over time. For example, in recent years Hongtian village has been collecting as much as 100,000 Yuan per year in rent fees from contractors. The rent is primarily used to pay for public infrastructure such as roads and access to electricity.

Table 3 is an example of user fees collected in Hongtian village. While forestland rents have increased under the new reform, the taxes and fees imposed on timber products have been dramatically reduced, e.g., from 40-50% to 26% in Hongtian.

Jiangxi Province

Jiangxi, like Zhejiang, also had divided and distributed a large amount of the collective forestland to households in

the early 1980s. By the end of 1983, 27% of the collective forestland was divided and distributed to households as *Ziliu-shan*, and 60% of the collective forestlands were assigned to some households who would take responsibility of managing the land as *Zheren-shan* (SFA 2006).

Many problems followed the distribution. For example, due to the abrupt implementation and lack of preparation, the allocations were deemed to be unfair, with the rights and responsibilities were poorly defined. More importantly, significant supplementary policies had not been provided. Consequently, deforestation prevailed; division and distribution were terminated and large amounts of household-managed forestlands were taken back and re-organized as collective forest farms, to be administered through village collective management or through village share-holding integrated management following the Sanming model in Fujian (SFA 2006). By 2004, 3.4 million ha were still under collective management, *Ziliu-Shan* had only 1.7 million ha, and *Zheren-Shan* had 324, 000 ha in Jiangxi (SFA 2006).

Yongfeng, Longgui, and Shangyuan in Jiangxi started their reform in the early 1980s, also adopting three types of land management plans: *Ziliu-shan*, *Zheren-shan*, and *Tongguan-shan*, but differed in the proportion of the three kinds of land tenure and differed in follow-up implementation. For example, during the early 1990s, the *Ziliu-shan* and *Zheren-shan* holdings in Yongfeng were reverted into share-holding forest farms. Because the transparency of the management was not sufficient to gain public trust during the late implementation, and it eventually failed.

All three villages started their new reforms in 2004. The new reform was to adjust forestland allocation based on the initial HRS conditions and changing situations. The principle of fairness was strongly emphasized regarding equity in receiving forestland. Democratic and public discussions were applied to the whole process.

Three villages in Jiangxi have adjusted forestland allocation according to the wishes of local farmers. In all three villages the original *Ziliu-shan* remained unadjusted. The difficulties were in decisions about *Zheren-shan*. In Yongfeng village, the *Zheren-shan* was adjusted to match the changing situations of the households. The objective was to make each household have a similar size of forestland per capita. After that, the land was assessed, boundary lines were marked, and finally a new certificate was issued. In Shangyuan, no change was proposed for *Zheren-shan* within

TABLE 3 *Forest income distribution in Hongtian village*

Resources	Village share	Households' share
Initial Volume	70%	30%
Increment volume	20%	80%
Second generation or newly planted forest:		
Classes I and II land	1.2 m ³	The remaining part
Class III land	1 m ³	The remaining part
Classes IV and above	0.8 m ³	The remaining Part

Sources: Authors' collection from the village documents

the contracting period. All trees belong to the households who contracted the land. For some lands that do not have owners or have not been used by the owners but have been planted by the collectives, the village will receive at least 70% of the harvested benefits in the first rotation. After the first rotation, the land is expected to be returned to the previous owners.

The share of the two kinds of land tenure varies among the villages. In Yongfeng 29% and 71% of the household-managed forestlands are *Ziliu-shan* and *Zheren-shan*, respectively, and each person owns a similar size lot, about 1.32 ha on average. In Shanyuan, the share between *Ziliu-shan* and *Zheren-shan* are 41% and 59%, respectively; each person owns a similar size which is about 0.98 ha on average. In Longgei, the share of *Ziliu-shan* and *Zheren-shan* are 25% and 75% and each person on average has about 1.77 ha, but this amount varies significantly.

As in many other provinces, tax reduction is another important aspect of the reforms. Due to the reduction in taxes, the average taxes and fees on timber have decreased, from 56% to 15% in Jiangxi.

THE NEW REFORMS: IMPACTS, ATTITUDES AND CHALLENGES

The new reforms are essentially further privatization of the forestland. Unlike the reforms in the early 1980s that had mixed impacts and were received with mixed attitudes, the new reforms have much more consistent impacts and received greater support by farmers as found by the survey of the 9 villages (see Table 4).

The data from Gaonan village was not available. Consequently, we only have data for eight villages. Our results indicated that the reforms increased income from forestry from 2000 to 2005 except in Niaoxi. The household income of the villages from Fujian and Jiangxi had higher rates of income than those from Zhejiang. From 2000 to 2005, the percentage of forest income in six villages showed an increasing trend. The household income of two villages from

Zhejiang showed a decreasing trend. This decreasing trend probably results from these villages being rich with bamboo resources and the existence of many bamboo enterprises in Xikou village. The income from these enterprises was not included in the forest income.

The eight villages showed that investment in forestlands increased from 2000 to 2005. For example, the farmers in Hongtian village have reforested 67 ha of the logged-over land from their own financial resources. In Fujian and Jiangxi, large investments in plantations were carried out after the farmers received the forestland around 2003 and 2004, while in Zhejiang, the forest land was transferred to households in the early 1980s and the land had already been planted prior to the 2000s. Therefore, the villages in Fujian and Jiangxi showed a higher growth rate of investment than in Zhejiang.

The results from our survey indicate that, unlike the reforms in the early 1980s, the new reforms are receiving great support from farmers (see Table 5). In the five villages surveyed Fujian and Jiangxi, all farmers support the new reforms. However, the farmers' attitudes from Zhejiang show some variation probably because the farmers might have had mixed experiences during 20 years of reform. But as a whole, more than 90% of farmers support the reforms, indicating the success of privatization of collective forestland tenure over 20 years of practice. The deforestation which occurred in the early 1980s was largely due to doubt and uncertainty when farmers received forestland use rights. However, our results show this level of uncertainty would likely not be the case now. About 90% the farmers felt they have confidence of their right to the forestland.

Our findings also showed that the reforms accelerated democratic development in mountainous rural regions. Decisions about the reforms in all the villages, such as whether to reform or not and how to reform, is being made by representative farmers. This represents an improvement upon the traditional decision-making system, namely from a "top-down" approach to a "bottom-up" approach. The results from our questionnaire indicate that, 88.2% of farmers thought that they were encouraged to participate in the

TABLE 4 *The impacts on income from forestry and investment by the new reform*

Village	Household #	Forest income per household (Yuan)			Forest Investment per household (Yuan)		
		2000	2005	Change	2000	2005	Change
<i>Zhejiang</i>							
Xikou	33	4462	5481	23%	596	1495	151%
Junjian	33	2565	3303	29%	1181	1763	49%
Niaoxi	35	1096	971	-11%	131	171	31%
<i>Fujian</i>							
Yangcuo	37	1755	4731	170%	2071	3017	46%
Hongtian	38	4203	20325	384%	2983	10574	254%
<i>Jiangxi</i>							
Yongfeng	39	3581	10457	192%	4480	7555	69%
Shangyuan	50	1496	2400	60%	1580	3660	132%
Longgui	34	5582	9080	63%	3000	3020	1%

TABLE 5 *The attitudes to the new reform*

Villages	Households (#)	Having confidence of the use rights (%)	Supporting the new reforms (%)
<i>Zhejiang</i>			
Xikou	33	100	100
Junjian	33	79	78.8
Niaoxi	35	91	62.9
<i>Fujian</i>			
Yangcuo	37	87	100
Gaonan	31	90	81
Hongtian	38	90	100
<i>Jiangxi</i>			
Yongfeng	39	82	100
Shangyuan	50	84	100
Longgui	34	97	100

process of reform and that their opinions were considered. Therefore, to some extent, the reforms represent a kind of collective action.

Based on our results, it is apparent that in spite of the support received from farmers as well as the government regarding the new reform. A few challenges still remain indicating that the work of reform is far from finished.

First, although the logging quota system, which was initiated in 1987, has been adjusted many times since then, the requirement to apply for a harvesting permit from the local government remains a significant restriction, especially for villagers who still rely on timber as their major management objective. Our survey results indicated that 44.3% of farmers regarded the logging quota system as an obstacle for forestry development. The farmers in Fujian and Jiangxi regarded it as the biggest obstacle, not surprising since Fujian and Jiangxi have much larger proportion of forestland used for timber production. Only in those villages where timber is not the major output, is the quota system not a big issue in the management of forestland.

Secondly, the duration of use right is still too short and the land size too small for effective management. In Zhejiang, all villages have extended the period by 50 years to the year 2055. In Hongtian village in Fujian, farmers hold the rights only 25-30 years, which is too short even for one rotation. Based on our survey, on average 34.6% farmers acknowledged that the duration of holding and managing rights is too short for effective management of the forestland. Only 10.2% farmers thought that it is too long. In addition, 65% of the farmers thought the holding size is too small. It seems their opinion was not just dependent on the holding size but also upon their dependence on forestry for income sources. Higher income villages on the whole would prefer large holdings and longer durations of holdings.

Thirdly, conflicts between ecological function and private economic use of the forestland are emerging. The collective forestland was distributed to households in the early 1980s, especially in Zhejiang and Jiangxi. At that time, ecological function did not receive much attention and

the two kinds of forests (production forests and ecological forests) were not clearly specified. The central government started to specify ecological forests that would not be used for timber production in 11 Provinces in 2001 (Zhejiang in 2001, Jiangxi in 2002). Consequently a conflict is emerging. The results from our survey show that 27.3% of forestland in Junjian village in Zhejiang and 62% of household forest in Longgui village in Jiangxi were designated for ecological use. Farmers are generally not satisfied with the compensation given by government for designating their land for ecological purposes.

Lastly, since no market price available and the heterogeneity of land and forests, the transaction prices have to largely depend on the appraisal values. The fairness and qualification were not trusted considering the history of appraisal institutes and the training and experiences of the staff (Pan et al. 2008). It is widely believed that transactions do not follow the proper legal procedure and forest resources assessment is lacking a scientific system (Zhan 2006). According to the survey of the 9 villages, about 70% of farmers prefer not to transfer their forestland because the assessment process is not trustworthy.

FNIAL REMARKS

China's forestland has experienced more than 3 decades of reform. These reforms have not followed a universal course. The three provinces, Zhejiang, Fujian and Jiangxi, show variation in how the reforms have been implemented and the impact they have had. A few useful methods can be learned from the past reforms.

First, the beauty of China's economic reforms in general and land reforms in particular, however, is that the reform has been very pragmatic. Various nomenclatures were created to avoid ideological controversy since many people were and are still not willing to accept private ownership as the standard for social and political institutions. Even though forestland privatization is openly called for by scholars

(Zhou 2000, Hong and Zhang 2007), the officials in China are still reluctant to call “private” forestry. The term “non-public forestry” has been coined instead.

Secondly, instead of imposing local government to follow what course of reform on forest land tenure, the central government gave local government some room of flexibility according to local socio-economic and political circumstances. The process of evolution involves various stakeholders and is related to the legal, political, and social framework (Liu 2007). Due to the more developed market economy and market awareness in Zhejiang, the scale and intensity of privatization in Zhejiang has been higher than in other provinces, and forestland use rights were allowed to be traded and transferred at a much earlier date. Jiangxi Province was not so successful using the same approach. Apparently the share-holding system was quite successful initially in Fujian. The problems of the share-holding system, such as unnecessary bureaucracy, and lack of incentive, were obvious, but the system had its merits at that time. After 20 years of reform, the perceptions and attitudes toward reform and the socio-economic situation are becoming more similar across region; it is not surprising that privatization is now more acceptable than before. It is becoming more apparent that China is going to privatize the forestland based on guidelines issued by CPC Central Committee and State Council in May of 2008 (CPC Central Committee and State Council 2008).

Currently the most challenging and important task to encourage and support the implementation of the new tenure reform is to create effective platform for assets transaction among households. The problems need to be addressed include the difficulties in asset appraisal and formalization of the transaction (Chen 2008, Xu and Zhou 2008). For those small holding, insurance policy has been proposed to be critical considering the forest fires and other risks (Chen 2005, Shi *et al.* 2009).

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