

Inquiry into trade in elephant ivory and rhino horn

Submission

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June 2018

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ISSN: 1836-9014

Introduction/Summary

The Australia Institute welcomes the opportunity to make a submission to the Joint Committee on Law Enforcement inquiry into trade in elephant ivory and rhino horn. The Australia Institute has expertise in environmental economics and has researched and supported past initiatives on wildlife and animal welfare, such as Australia's ban on lion trophy imports.¹

This submission addresses the economic costs and benefits of a ban on domestic trade in elephant ivory and rhino horn. While difficult to quantify, the benefits are likely to be relatively large and the costs small.

Elephant and rhino poaching, and the trade that puts these species' future at risk, appals almost all Australians. While not usually considered in economic terms, Australians place considerable value on conservation of endangered species, values that would be protected by a domestic trade ban. Such benefits would be reinforced by acting in concert with countries such as China, Hong Kong and the UK, which already have domestic trade bans.

Costs are likely to be minor. From an economic perspective, it is arguable that there is little cost to the community from reduced ability to trade uncertified ivory. Such products are likely to be produced or traded illegally and impose costs on society. While the artistic, historic and cultural values of some pieces cannot be traded for money, they are not lost to the community.

Any costs are likely to be borne by owners of certified items with some use value, such as musical instruments. These costs can be mitigated in several different ways.

Overall, a ban on domestic trade would likely bring a substantial benefit to species conservation at relatively minor cost. We would be happy to expand on this submission if it is of assistance to the Committee.

¹ Campbell (2016) *Across party lions*, <https://newmatilda.com/2016/05/19/breaking-down-party-lions/>

Benefits

The key benefit of a domestic ivory and rhino horn trade ban is the contribution this would make towards species conservation. Evidence presented to the inquiry by For the Love of Wildlife, Nature Needs More and other submitters shows that considerable amounts of ivory and rhino horn are being brought into Australia and traded on the domestic market.

Very little of this horn and ivory has certification that it is legal, predating the Convention on International Trade in Endangered Species (CITES). The International Fund for Animal Welfare found only 8% of items sold in Australian and New Zealand auction houses had proper certification.²

Clearly there is a market for ivory and rhino horn in Australia. This provides incentives for and contributes to poaching problems in countries with elephants and rhinos. Eliminating or substantially reducing the Australian market would assist with species conservation, which has economic value due to the value Australians place on the survival of these species.

While difficult to measure in economic terms, Australians clearly place enormous 'existence value' on animal species in general, and elephants and rhinos in particular. This is demonstrated by actions such as:

- zoo visits,
- zoo fundraising campaigns focused on elephants,³
- travel to Africa and Asia to see elephants in their natural habitat
- support for wildlife charities, including elephant and rhino-focused groups such as For the Love of Wildlife, Nature Needs More, International Fund for Animal Welfare and the Save African Rhinos Foundation.

Quantifying existence values, or other components of what economists refer to as 'Total Economic Value', is difficult. However, environmental economic studies almost invariably find that people place significant value on species conservation. As noted in a review for the Commonwealth Department of the Environment:

² IFAW (2016) *Under the Hammer: Are Auction Houses in Australia and New Zealand Contributing to the Demise of Elephants and Rhinos?*, <https://www.ifaw.org/australia/resource-centre/under-the-hammer>

³ See for example, Zoos Victoria (2013) *Zoo's iconic cork program ends*, <https://www.zoo.org.au/news/zoos-iconic-cork-program-ends>

There is strong evidence that the broader community does support and is willing to pay for protection and recovery of threatened species. In many cases, the estimated non-market values far exceed the expenditure that would be required to protect or recover the species.⁴

Non-use values for elephant conservation have also been estimated and are significant – with Sri Lankan households prepared to pay around 1% of household income annually to ensure wild elephant populations are maintained in their country.⁵ Even if Australian willingness to pay was just 1% of Sri Lankan household's values, this would still amount to tens of millions of dollars per year.⁶

These studies merely put in economic terms what is obvious to most observers – that the public of most countries and certainly including Australia, value species conservation, particularly of charismatic species such as elephants and rhinos. All such 'contingent valuation' studies are inherently subjective and are unlikely to provide an accurate dollar figure that can be used in a cost benefit analysis or regulation impact statement. They can, however, provide some indication of the magnitude of concern and ensure that non-market values are not erroneously excluded from economic assessment.

An Australian domestic trade ban would only be a small part of efforts to conserve elephants and rhinos, so in strictly economic terms, only some fraction of the public's willingness to pay for their conservation could be considered a benefit of the policy. As similar policies are being implemented in countries such as China, Hong Kong, the UK and USA, Australians may be more willing to pay given that other countries are also taking action.⁷

⁴ Pandit et al (2015) *A review of non-market valuation studies of threatened species and ecological communities*, http://www.nespthreatenedspecies.edu.au/151214_NMV%20Threatened%20Species%20Report_full.compressed.pdf

⁵ Bandara and Tisdell (2003) *Use and Non-use Values of Wild Asian Elephants: A Total Economic Valuation Approach*, <https://ageconsearch.umn.edu/bitstream/48961/2/WP80.pdf>

⁶ Based on ABS (2016) *Census Quickstats, approximately \$74 million per year*. http://quickstats.censusdata.abs.gov.au/census_services/getproduct/census/2016/quickstat/036

⁷ Ritzen (2018) *China ban on domestic ivory sales comes into force*, <https://www.aljazeera.com/news/2017/12/china-ban-domestic-ivory-sales-force-171231180546212.html>; Associated Press (2018) *Hong Kong votes to ban domestic ivory sales*, <https://www.theguardian.com/environment/2018/jan/31/hong-kong-votes-to-ban-domestic-ivory-sales>; UK Government (2018) *Government confirms ban on ivory sales*, <https://www.gov.uk/government/news/government-confirms-uk-ban-on-ivory-sales>

Pro-trade arguments

Some advocates of wildlife trade claim that legalising and increasing trade in ivory and particularly rhino horn would actually assist conservation – meaning the benefits of a domestic trade ban is negative, working against conservation. Their argument is based on the idea that farmed rhino horn could be produced at greater volumes, pushing down prices and reducing the incentive to poach rhinos. They also claim that legal rhino horn producers would have an incentive to pay for and reduce poaching and trafficking activities.

While superficially appealing, these arguments are not backed by any examples or empirical evidence of where legalising and promoting trade in an endangered species, or related product, has actually achieved these goals. Counter examples are easy to find - where increasing trade has led to species declines such as elephant ivory,⁸ many pet species,⁹ or where reducing demand and trade have led to improvements, such as the shark fin market.¹⁰

Furthermore, this argument misunderstands basic economics. Liberalising such trades is likely to increase demand, as the stigma of the illegal trade declines. This makes any drop in price much less likely and would facilitate the laundering of poached product. Even if legal horn suppliers could reduce prices, it is not clear why poachers would respond by leaving the market, rather than competing. Instead of simply walking away, poachers are likely to work to reduce their own costs, accept lower profits or even promote their wild product as superior. For a full discussion of the economics of trade in rhino horn see the report attached to this submission, *Horn of Contention: A review of literature on the economics of trade in rhino horn*, which I wrote in 2013.¹¹

⁸ Hsiang and Sekar (2016) *Does Legalization Reduce Black Market Activity? Evidence from a Global Ivory Experiment and Elephant Poaching Data*, <https://www.nber.org/papers/w22314>

⁹ Hughes (2017) *Trading in extinction: how the pet trade is killing off many animal species*, <https://theconversation.com/trading-in-extinction-how-the-pet-trade-is-killing-off-many-animal-species-71571>

¹⁰ Duggan (2014) *Sales of shark fin in China drop by up to 70%*, <https://www.theguardian.com/environment/chinas-choice/2014/aug/08/sales-of-shark-fin-china-drop-70>

¹¹ Campbell (2013) *Horn of Contention A review of literature on the economics of trade in rhino horn*, <http://www.ecolarge.com/work/horn-of-contention/>

Costs

The costs of a domestic ivory and rhino horn trade ban will accrue to either government, in administering the policy, and owners of these products both legal and illegally produced. The magnitude and distribution of these costs could vary depending on how the policy is designed and enforced.

IMPLEMENTATION COSTS

A domestic ivory and rhino horn trade ban would likely incur some increase in communications expenses to promote the policy, as well as training and enforcement costs. However, these are not likely to be substantial. In the case of communicating the ban, it is unlikely to need a major campaign as, according to NGO polling, few people trade in these products and 77% of Australians think domestic trade in ivory is already illegal.¹²

While the policy may need more staff to be trained and employed in enforcement, two factors make it unclear whether this will increase or potentially reduce costs. Firstly, it may be easier to administer a total ban in the trade rather than a ban in post-CITES ivory. It is difficult to determine whether ivory predates CITES and was produced prior to 1975. An accurate assessment of a piece might involve detailed training and/or scientific analysis. This would be greatly reduced with a total ban.

The difficulty in assessing how old ivory and rhino horn is has likely contributed to the lax enforcement of Australia's existing laws and the abundance of ivory and horn pieces being traded without certification. Given the value that Australians place on species conservation, discussed in the benefits section above, this situation is likely currently reducing Australians' welfare, to say nothing of the welfare of the animals being killed. Any improvement of this enforcement situation should be seen as an economic benefit of the policy.

Regardless of whether implementation costs are positive or negative, any changes could be made revenue neutral to government by adjusting fines for breaking the regulations. This would ensure that any costs are borne by those breaking the law, rather than taxpayers and the wider public.

¹² For the Love of Wildlife (n.d.) *False assumptions*, <http://fortheloveofwildlife.org.au/call-domestic-ban-ivory-rhino-horn-australia/false-assumptions/>

COSTS TO OWNERS OF IVORY

A domestic trade ban ultimately aims to reduce the demand and supply of ivory and rhino horn, which will likely result in declines in value of these goods. While some trade may occur on a black market or via exemptions, most items should become more difficult to trade and realise a financial value for.

This last point is important – a domestic trade ban makes it more difficult to realise a financial value for ivory or rhino horn items. Opponents of domestic trade bans often point out the artistic, historic and cultural value that some ivory and rhino horn items have. These values are not diminished in any way by a domestic trade ban. Owners who hold these values can continue to enjoy them, the only change is that the artistic, historic and cultural values cannot be exchanged for money.

Owners of items with artistic, historic and cultural values who may prefer to cash them in would have ample opportunity to do so, as the policy will be debated for some time in Australia before being implemented. Owners of these items can make an informed choice about whether they and their heirs prefer these artistic values or whether they would like to exchange their art for cash. People who do see the cultural and historic value in ivory and rhino horn items currently have the opportunity to acquire them with the knowledge that they are buying art, as opposed to a store of value. Domestic bans in other countries have gathered considerable attention – buyers and sellers in Australia have plenty of information to inform their choices, although a further government information campaign could further reduce any loss of value.

In the case of ivory and rhino horn items that lack pre-CITES certification, it is debateable whether their decline in financial value actually represents an economic cost to the Australian community that should be considered in a cost benefit analysis or regulation impact statement. Items produced since 1975 are likely to have broken some law or regulation and contributed to the decline of species that Australians value. Individuals should, arguably, not benefit from the value of an item that has likely been produced or traded illegally or immorally.

In economics jargon, such items impose external costs on other parts of society and their value represents a transfer from those who hold substantial existence values to the purchasers. Such a transfer could be seen to be reversed under a domestic trade ban.

Costs to owners of uncertified items could be reduced and transferred to the taxpayer with an amnesty scheme, perhaps with a small bounty paid for pieces by weight. This could improve participation, public awareness and acceptance of the policy and related conservation issues. Acquired or purchased items could be publicly destroyed,

as in Melbourne's recent ivory crush,¹³ or donated to public museum collections where appropriate.

For owners of certified pre-1975 ivory and rhino horn items, particularly those with some use value such as musical instruments, the policy is likely to impose some costs. These costs could be mitigated by:

- A longer phase in time for such items.
- Periodic official auctions that are closely monitored by officials and wildlife experts and limited to particular types of certified item such as musical instruments.
- Establishment and subsidisation of ivory/horn part replacement schemes.
- Government acquisition scheme for particularly artistically or historically significant pieces that could be purchased for museum display.

¹³ King (2018) *Ivory crush sees 100kg of horn items destroyed on World Wildlife Day in Melbourne*, <http://www.abc.net.au/news/2018-03-04/ivory-crush-sees-100kg-of-horn-items-destroyed/9506994>

Conclusion

With the survival of elephants and rhinos at risk in the wild due to poaching, habitat destruction, human-animal conflict and other factors, Australians have an opportunity to assist by reducing demand for ivory and rhino horn. Former major market countries such as China, Hong Kong and the UK, have already implemented such policies. Australia should follow their lead and implement a ban on domestic ivory and rhino horn trade.