



Elephant
Action
League

Blending IVORY

CHINA'S OLD LOOPHOLES, NEW HOPES



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League

AUTHORS

Andrea Crosta
Kimberly Sutherland
Mike Beckner

DESIGN

Orith Kolodny

PHOTO CREDITS

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Pag 8 © Mike Beckner
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ABOUT EAL

Founded in 2013, Elephant Action League (EAL) is a hybrid non-profit organization that merges the worlds of high-level security, intelligence and conservation in service of wildlife and the people who protect it.

EAL's Mission is to fight wildlife crime through Concrete, Innovative and Collaborative projects.

EAL is a registered nonprofit, tax-exempt charity under section 501(c)(3) of the U.S. Internal Revenue Code.

www.elephantleague.org
info@elephantleague.org

Executive Summary

Near the end of 2014, the Elephant Action League (EAL) identified a need to conduct an undercover investigation in mainland China and Hong Kong focusing on the ivory trade in an effort to expose the areas where illegal ivory opportunistically enters the legal ivory market, and to identify the regulatory loopholes that allow this crossover. The primary objective of this investigation was to assess the status of China's ivory trade with an emphasis on this intersection of the legal and illegal ivory markets.

Depending on the source, anywhere from 25,000 to 50,000 elephants are poached in Africa annually. A study performed in 2014 estimated the average Illegal killing (poaching) rate approximates 6.8% of Africa's total estimated elephant population, equating to 33,630 elephants killed per year continent-wide¹. Regardless of whether annual poaching totals are closer to 25,000 or 50,000 elephants, even the lowest estimate represents a rate in excess of the elephant birth rate, therefore directly threatening the survival of Africa's elephant populations.

1. Wittemyer et al.,
"Illegal Killing for Ivory
Drives Global Decline
in African Elephants."

China is currently the world's largest ivory market, both legal and illegal. Its ivory industry has continued to expand tremendously, especially in the last five years, even though regulations were put in place to tightly manage the domestic legal ivory trade. When China reignited its domestic legal ivory market in 2008 with the CITES-approved purchase of 62 tons of African ivory stocks, a parallel thriving illegal market was already in play. Instead of causing the illegal market to retract as planned, the purchase and expanded legal trade actually provided new avenues for illegal ivory to be laundered through the legal system, allowing the illicit trade in ivory to expand further.

Our investigative team's missions to Hong Kong, Beijing, Shanghai, and the Fujian Province confirmed the following:

- Hong Kong is a primary transit hub for the movement of illicit ivory into mainland China;
- If you can get ivory into Hong Kong legally and legitimize it (regardless of origin), then you can most likely re-export the ivory to mainland China through legal means;
- Legitimate businesses and business people participate in and facilitate the laundering of illicit ivory through the legal ivory market by such means as 1) importing supposedly pre-ban, antique, and trophy hunting ivory, 2) manipulation of the ivory registration system within China, and 3) trading ivory privately without the required certifications;
- Ivory traders in both Hong Kong and China determine the legality of ivory as a matter of paperwork as opposed to following the letter of the law – even new ivory is legal if the paperwork is in place;
- China's illegal ivory trade continued to expand even following anti-corruption policies and regulations put in place by the Chinese government;
- Rhino horn is still in high demand throughout China, with traders indicating they can sell it as quickly as they can acquire it; and
- Due to the anti-trafficking efforts by Chinese law enforcement agencies and international pressure, some illegal players appear to be moving further underground or getting out of the ivory business.

The discussions and observations presented in this report solidly support the theory that China's illegal ivory trade is not separate from the legal ivory trade, rather it is intertwined with the legal trade. China must be encouraged to end its legal domestic ivory trade in order to remove the opportunities available for laundering illicit ivory. As the focus of our investigation was not directed at ivory retailers and obtaining a concrete understanding of market conditions at that specific level, quantitative figures of the current value of raw and worked ivory in China and Hong Kong are not presented in this report.



OUR MISSION

Elephant Action League
fights wildlife crime
through Concrete,
Innovative and
Collaborative
projects.





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Introduction

More illegally trafficked ivory is destined for China than anywhere else in the world based on illegal seizure statistics. Data analysis completed by C4ADS in 2014 specifically identified China as the largest market for both legal and illegal ivory.²

This same analysis identified a large amount of illicit ivory moving past Chinese authorities and regularly being laundered through China's legal ivory market. The Elephant Action League (EAL), therefore, determined an urgent need to conduct an undercover investigation in China, focusing on the ivory trade framework, including brokers, suppliers and carving facilities, in an effort to expose the areas where illegal ivory opportunistically enters the legal ivory market and expose important additional players who profit from the illegal ivory trade.

In late 2014, our team received information from ivory traders in Hong Kong regarding the movement of ivory from Hong Kong to Beijing. We also received two reports through our online platform, WildLeaks, that supported what we had heard from the traders and helped us identify a few target contacts. The ivory is purportedly 'pre-ban' ivory - tusks or ivory products traded legally prior to the 1989 UN Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) ban, or ivory coming from trophy hunting - laundered with unknown amounts of illegal black market ivory that has found its way to China, primarily destined for Beijing, Shanghai, and the provinces of Fujian and Guangdong. These Hong Kong traders intimated that if dealers can successfully import the ivory to Hong Kong and/or purchase licensed and permitted ivory in Hong Kong, regardless of where the ivory originated, then it is possible to garner export permits to mainland China.

2. Vira, Ewing, and Miller, "Out of Africa: Mapping the Global Trade in Illicit Elephant Ivory."



Investigative Process

The investigative work, based on the RISE™ methodology, was led by EAL's Executive director, Mr. Andrea Crosta, and conducted in collaboration with a very experienced Chinese-speaking investigator – with over 25 years of experience in undercover investigation of wildlife crime – and a team of four Chinese-speaking assistants.

RISE™ Methodology

The EAL team designed this investigation utilizing its RISE™ methodology, a collaborative working approach based on four important blocks intricately linked to each other with intelligence at its core: Research, Intelligence, Sharing, and Enforcement.

Research: A research phase into key elements of information we receive that is used to: 1) decide how critical an issue is, 2) identify potential allies and collaborative partnerships, and 3) determine what is the most cost-effective approach to operate. These elements include poaching and trafficking events, expert opinion, as well as trends and information coming from other organizations and partners.

Intelligence: This refers to intelligence and investigative activities developed from best practices, conducted by professionals and applied to wildlife crime. Information is collected through various means, including human sources and tools such as WildLeaks. This intelligence is then used to conduct field investigations.

Share: The findings from the Research and Intelligence phases are shared using potentially two different end products, with potentially two different recipients: 1) redacted reports of investigation findings to inform the public and policy makers, and 2) Confidential Intel Briefs (CIBs) prepared for trusted security agencies that are typically shared a few weeks before the censored reports go public.

Enforcement: This final phase lies in the hands of relevant government and law enforcement agencies. The information shared via the CIBs, prepared and disseminated by EAL, is ideally used to disrupt wildlife criminal activities and arrest the individuals behind these crimes.

The RISE™ methodology has proven to be effective because it is:

- Context specific: activities and partnerships are tailor-made for local contexts;
- Best practices-oriented: existing best practices in intelligence and investigations coming from other fields are used;
- Results-oriented: intelligence is used to conduct investigations; findings are used to expose and disrupt wildlife criminal activities; and
- Collaborative: partnerships with professionals, local NGOs and even law enforcement agencies are developed and leveraged.

WildLeaks

Launched by the Elephant Action League, WildLeaks is the world's first whistleblower initiative dedicated to Wildlife and Forest Crime. The mission of WildLeaks is to receive and evaluate anonymous information and tips regarding wildlife and forest crimes and transform them into actionable items, such as beginning or continuing an investigation with our teams and/or in collaboration with trusted partners; sharing the information with trusted contacts within selected law enforcement agencies; and/or sharing the information with media partners.

WildLeaks' first priority is to facilitate the identification, arrest and prosecution of criminals, traffickers, businessmen and corrupt governmental officials behind the poaching of endangered species and the trafficking of wildlife and forest products such as ivory, rhino horn, big cats, apes, pangolins, birds and illegal timber. Highly experienced and responsible professionals, investigative reporters and ex-law enforcement officers evaluate documents and tips provided to WildLeaks. Each piece of information is evaluated and validated in a very scrupulous way. In order to assess the information and decide what to do, WildLeaks uses sophisticated intelligence methodology, a vast network of contacts, and the latest technologies.

A great effort is put into protecting the people who choose to send us information, not only by providing a state-of-the-art secure system but also by managing and using the information in the correct way. Elephant Action League, in collaboration with the Hermes Center for Transparency and Digital Rights, has implemented a very secure online platform built on the Tor technology in order to allow the sources to stay anonymous and to submit 'sensitive' information securely and always encrypted. More information about WildLeaks may be found at www.wildleaks.org.



Document from Hong Kong Customs on an ivory seizure, leaked to WildLeaks



Investigative Plan

The investigation was performed over a 10-month period in 2015. EAL investigators conducted two field missions to Hong Kong and four field missions to mainland China. Based on initial information from Hong Kong ivory traders in the first mission, our team then moved on to Beijing, Shanghai, and the provinces of Fujian and Yunnan.

Our investigators used various stories to garner meetings with ivory traders and other industry insiders. The team made extensive use of undercover filming and set up a series of entities to legitimize these back-stories.

We designed the investigation so that the field missions could be conducted without soliciting illegal activities and without actually buying or selling any illegal products. The companies and contacts were chosen based on identified links from the initial Hong Kong interviews, leaks submitted to WildLeaks, and then on the data and information gathered as the investigation progressed.



Ivory on sale in Beijing

Objectives

The primary objective of this investigation was to assess the status of the ivory trade in China with an emphasis on the intersection of the legal and illegal markets. In order to meet this primary objective and produce actionable results, the following secondary objectives were identified:

- Garner trust from a few identified key players within China's ivory trade in order to obtain current information on a variety of issues, including the status of the ivory trade in China, the means by which regulatory loopholes are used to import or smuggle ivory into mainland China, and the role of Hong Kong as a gateway to China,
- Use the investigation to also gather information on the illicit trafficking of other wildlife products such as rhino horn, and
- In line with the RISE™ methodology, produce a Confidential Intel Brief (CIB) identifying individuals and companies on which we found evidence of strong suspicious or illicit activities related to wildlife trafficking, and share this information with selected representatives of the Hong Kong and Chinese government agencies in order to allow local authorities to take action.

The following report provides a summarized account of the meetings and discussions performed during these six field missions, corroborating evidence from other related investigative reports, and discussions highlighting the areas in which the legal and illegal ivory trade appear to overlap in both Hong Kong and mainland China, making it extremely difficult to detect and police.

Please note that this report has been prepared for the public and does not include the names of the individuals with whom we met during the investigation. As indicated above, a separate report – a Confidential Intel Brief – containing all pertinent information has been prepared and submitted to Hong Kong and Chinese authorities for further action.

Background

The Current Elephant Poaching Crisis

The current major poaching and trafficking crisis is the second facing African elephants in a 40-year period. The first was in the 1970s and 1980s, and threatened to wipe out Africa's elephant population with as many as 100,000 elephants being poached in peak years until the 1989 CITES international ivory trade ban was implemented. In response to the ban on international trade in ivory and decreased consumer demand, the legal supply chain contracted and consolidated through the 1990s, and African elephants started to recover. Unfortunately, demand for illegal ivory did not completely disappear fueling what would become a criminalized trade. By this time, the Asian demand for ivory began to pick up significantly, in part due to the burgeoning Chinese upper and middle classes and fueled by the irresponsible decision by CITES to allow the second one-off sale of 102 tons of ivory from Botswana, Namibia, South Africa and Zimbabwe to China and Japan. Professionalized, criminal networks were firmly entrenched in the illegal ivory trade by 2008-2009 when it became apparent that ivory trafficking had again reached alarming levels.

Elephants' skulls
in Taratibu, Niassa
National Park,
Mozambique



3. Wittemyer et al.,
"Illegal Killing for Ivory
Drives Global Decline
in African Elephants."

4. Wasser et al.,
"Genetic Assignment
of Large Seizures
of Elephant Ivory
Reveals Africa's Major
Poaching Hotspots."

Depending on the source, anywhere from 25,000 to 50,000 elephants are poached in Africa annually. A study performed in 2014 estimated the average illegal killing (poaching) rate approximates 6.8% of Africa's total estimated elephant population, equating to 33,630 elephants killed per year continent-wide.³ University of Washington biologist, Dr. Samuel Wasser, is a pioneer in using DNA evidence to trace the origin of illegal ivory and help police an international trade that is decimating African elephant populations. According to Wasser, roughly 50,000 African elephants are currently being killed each year from a population of fewer than 435,000 animals.⁴ Regardless of whether the annual poaching total is closer to 25,000 or 50,000 elephants, even the lowest estimate represents a rate in excess of the elephant birth rate, therefore directly threatening the survival of Africa's elephant populations.

5. GEC, "Better Data for a Crisis: Second Tanzania Count Part of Ongoing Population Monitoring."

Tanzania and Mozambique recently released new elephant census data, preliminary results of the Great Elephant Census currently underway across elephant range states in Africa. Tanzania alone appears to have lost up to 60% of its elephant population in five years.⁵ Mozambique's data was not much better with a 48% drop in its elephant population from 2009 to 2014.⁶

6. WCS Mozambique, "Govt of Mozambique Announces Major Decline in National Elephant Population."

Predictably, the statistics identifying increased levels of illegal poaching correspond directly with the upward trend of the illicit ivory trade.⁷ According to CITES Elephant Trade Information System (ETIS) figures, the illegal ivory trade has tripled in size since 1998. Ivory seizures from 2011 through 2013 hit record levels totaling 116 tons.⁸ In 2013, large ivory seizures (greater than 500 kg) totaled 45.2 tons of ivory.⁹ If we assume that illicit ivory actually seized is only about 10% of the total amount of trafficked ivory, this would imply that the true amount trafficked in 2013 is in excess of 450 tons.¹⁰ Ivory seizure data for 2014 is still incomplete according to CITES. Reported 2014 large seizures totaled 17.9 tons, which is significantly less than 2013, but with deficient data it is not known whether this is a real decline in the illegal ivory trade.¹¹

7. UNEP et al., "Elephants in the Dust - The African Elephant Crisis, A Rapid Response Assessment."

8. Ibid.

9. CITES, "Elephant Conservation, Illegal Killing and Ivory Trade."

10. Ibid.

11. Ibid.



Elephant herd in Tanzania

Interestingly, a recent study by Dr. Wasser, designed to pinpoint the location of Africa's poaching hotspots by analyzing ivory DNA from large seizures, identified two primary regions, or hot spots, from where the majority of large seizure ivory originates.¹² The results of this analysis are as follows:¹³

12. Wasser et al., "Genetic Assignment of Large Seizures of Elephant Ivory Reveals Africa's Major Poaching Hotspots."

- More than 85 percent of forest elephant ivory seized between 2006 and 2014 originated in the central African Tridom protected ecosystem that spans northeastern Gabon, northwestern Republic of Congo and southeastern Cameroon, and the adjacent reserve in southwestern Central African Republic,
- More than 85 percent of savanna elephant ivory seized between 2006 and 2014 originated in East Africa, mainly from the Selous Game Reserve in southeastern Tanzania and the Niassa Reserve in adjacent northern Mozambique, and
- In 2011, the savanna elephant hotspot began shifting northward, from southeastern Tanzania toward the Ruaha National Park and Rungwa Game Reserve in the country's center, gradually creeping northward toward Kenya.

13. Hickey and Ma, "Evidence from Ivory DNA Identifies Two Main Elephant Poaching Hotspots."

14. Ibid.

By understanding that there are primarily two regions where most elephants are poached, efforts can be made to focus law enforcement in those areas, thus eliminating the largest amount of illegal killing with a manageable amount of effort.¹⁴

The Global Illegal Ivory Supply Chain

The global ivory trade is logistically extremely complex, with many players and trade routes that transport illicit ivory from the remote corners of Africa to Asian markets tens of thousands of miles away.¹⁵ Seizure data from various organizations shows the rise of East Africa as the most prominent region for sourcing illegal ivory, with primary ports out of Kenya and Tanzania. According to the Wasser study, most savanna ivory transited or was seized from East African countries.¹⁶ Seizure data also confirms China as the largest single destination for illicit ivory, with Hong Kong, Vietnam, the Philippines, and Malaysia as intermediate transit points for shipments from Africa.

Ivory flows upstream through the supply chain to the end user. The ivory supply chain includes the following five phases:¹⁷

- Collection/Poaching: Poaching performed by relatively nonprofessional, but often highly coordinated and well-armed, poaching networks.
- Local Transport in Africa: Movement of ivory from remote corners of the African bush to major urban centers for consolidation and containerization, and then hundreds more miles to a seaport or airport; characterized by long and complicated routes, generally ending with a hand-off to an Asian trafficking network.
- International Freight Transport: Beginning at Africa's largest seaports and airports and working within the regular activities of the legal international freight transportation system; characterized by trafficking shell corporations, expensive bribes throughout the process, and multiple transit points.
- Local Transport in Asia: Movement of ivory from the import point to its final destination at a carving or processing facility; characterized by complex obfuscation techniques, varying transport methods, and a range of shell companies. and
- Processing/Carving: Final preparation of ivory products for sale to consumers.

15. Vira and Ewing, "Ivory's Curse: The Militarization & Professionalization of Poaching in Africa," 10.

16. Wasser et al., "Genetic Assignment of Large Seizures of Elephant Ivory Reveals Africa's Major Poaching Hotspots."

17. Vira, Ewing, and Miller, "Out of Africa: Mapping the Global Trade in Illicit Elephant Ivory."

18. Ibid.

19. Elephant Action League, "Flash Mission Report: Port of Mombasa, Kenya."

20. Ibid.

Professional traffickers utilize the logistics and supply chains of major container and shipping companies to move their product huge distances at a manageable cost. Successful ivory transactions require 'facilitators' who enable the transport of illegal ivory through legal supply chains. These same facilitators are interwoven into the systems that enable terrorism, drugs, weapons, and human trafficking.¹⁸

For example, since 2009, over 43 tons of seized ivory has passed through the Port of Mombasa in Kenya, or approximately 23% of global ivory seizures.¹⁹ Mombasa's port is a large, modern seaport with over one million containers transiting through the port as of 2015. We previously investigated this port, finding that the port is managed by two government authorities with varying agendas, the volume of containers transiting the port is growing significantly each year, scanning capabilities and security resources are limited, and corruption is rampant.²⁰ These issues are most likely not limited to the Port of Mombasa and create significant loopholes for traffickers to exploit.

Some Asian organized criminal networks have been moving downstream, vertically integrating the ivory supply chain. The wholesalers near the end of the chain are based in Southeast Asia and may or may not be part of the trafficking network. Some wholesalers merely purchase illicit ivory to distribute to carvers and carving factories. It is ultimately more profitable for a syndicate to convert raw ivory into finished worked product within the network and sell the product at retail consumer prices.

Chinese Ivory Market

21. Vigne and Martin, "China Faces a Conservation Challenge: The Expanding Elephant and Mammoth Ivory Trade in Beijing and Shanghai."

22. Save The Elephants, "Sharp Fall in the Prices of Elephant Tusks in China."

China is currently the world's largest legal and illegal ivory market. Unfortunately, it is not really known what amount of ivory is actually in circulation within the country. The Chinese ivory industry has been expanding tremendously, especially in the last five years, as evidenced by the following facts:²¹

- Illegal ivory imports into China are the largest in the world by weight;
- The wholesale price of raw tusks sold for carving has tripled in price from 2010 to 2014, but has dropped by 50% in the last years (USD 2100 per kilo down to USD 1100 per kilo)²²
- The number of official ivory carving factories has risen several-fold
- The number of legal (licensed) retail outlets for elephant ivory has increased significantly as well as the number of illegal (unlicensed) outlets
- Consumer demand for elephant ivory has grown significantly, both legal and illegal, both raw and worked, especially demand by collectors and investors
- The price and demand for high-end carved products have skyrocketed, while the retail prices for some of the less delicate ivory items have decreased
- Some businesspeople are still optimistic about the future economic benefits of trading in ivory
- Chinese law enforcement has not been able to keep up with this huge expansion of the illegal ivory industry.

The recent expansion of the illegal ivory trade in China is a consequence of several related factors, including the various CITES decisions, in particular the two one-off sales, that fueled demand and created a parallel legal domestic market in China. Second, the Chinese Government, industry, and media actively stimulated demand by promoting ivory as a cultural heritage product. Lastly, the flow of illicit ivory through Hong Kong, and from neighboring countries like Laos and Vietnam, to mainland China. With the significant growth of the Chinese economy since the early 1990s, many people have prospered and sought out ivory items for personal use, as an investment, or for prestige. The result was a perfect storm for the growth of a thriving illegal ivory trade.

Legal Market

China has a long history in the ivory trade. In fact, China has been a center for ivory carving for thousands of years. Originally, ivory was crafted for Chinese royalty and rich elite, but in the last century, prior to the CITES international trade ban in 1989, Japanese, Europeans, and Americans became the main buyers of ivory. The domestic ivory trade in China continued after the international trade ban. By 2005, China was experiencing a great expansion in wealth and became, by far, the primary buyers of worked ivory.

In 2008, CITES agreed to a one-off sale of stockpiled ivory to both Japan and China. The first such sale took place in 1999 where stockpiled ivory from African nations was auctioned to Japan. The 2008 sale was agreed to by CITES parties based on China implementing strict domestic trade regulations, as well as an agreement that China would flood its ivory market with the purchased ivory. Although China had previously implemented updated domestic trade regulations for ivory in 2004, the Chinese government never flooded the market with the purchased ivory. Instead, a fraction of the 62 tons originally purchased is released on an annual basis. Since 2008, Chinese consumption and purchasing power continued to grow. The 2008 sale ultimately failed to achieve the objectives originally set by CITES parties. As a result, a reinvigorated parallel legal market for ivory grew alongside

the already thriving illegal market. The legal market following the 2008 CITES sale actually provided new avenues for which illegal ivory could be laundered through the legal system, which we will discuss later in this report. The "Registration Certificate of Ivory Carving" is the only official registration proof of China's ivory products made from legal ivory sources. The certificate was approved and applied by the Chinese State Forestry Administration (SFA) and State Administration of Industry and Commerce of China (SAIC), but monitored and managed by SFA Detecting Center of Wildlife.²³ There are two types of certificates in practice, a standard certificate and an express certificate. The standard certificate is compulsory for all ivory products over 50g, but also recommended for high-end carving products with high monetary value but weighing less than 50g. This type of certificate includes a color photograph of the product, as well as a detailed description of the ivory piece. The express certificate is a simpler version of the standard certificate. It is mainly used for lighter pieces weighing less than 50g, such as ivory rings, chopsticks, or stamps. The certificates also contain a reminder from the authority to purchase ivory products only at an Accredited Point of Sale for Ivory Carvings.²⁴

23. EAL correction: "Detecting Center of Wildlife" is the official translation of 野生动植物检测中心. Read alternative translation as "Wildlife Inspections and Testing Center".

24. Available at: <http://english.forestry.gov.cn/>; last viewed on 12 December 2015

25. Ibid.

As other investigating organizations have found, and we have confirmed through our investigation, there is rampant corruption and loopholes around the registration system, including using one certificate for multiple identical pieces, not providing certificates to customers when items are purchased and using the certificate for another piece, to name a few practices.²⁵

Mammoth Ivory

There is also a legal market for mammoth ivory in China. The mammoth has been extinct for several thousand years, but mammoth tusks can be recovered during summer from the melting tundra, primarily in northeast Russia. Mammoth ivory may be imported, sold, and exported with no regulatory restrictions in China. The mammoth industry has expanded greatly since the early 2000s. Some ivory factories have added or changed over to mammoth ivory, which they are able to obtain legally without limits on amounts.

Unfortunately, although trade in mammoth ivory is legal, some traders are using it as a cover for selling elephant ivory. It can be difficult to distinguish between elephant ivory and mammoth ivory, especially when an item in question is worked and small. Once a piece is worked, most consumers cannot differentiate between elephant and mammoth ivory and are not encouraged to do so by ivory vendors.

26. Due to the lack of specification of the type of ivory recorded on the Registration Certificate of Ivory Carving, it is common for buyers to get the mammoth ivory products tested at authoritative inspections and testing agencies, eg, National Gemstone Testing Center (CGTC), or sometimes China Mammoth Ivory Art Research Association.

Past investigations have documented licensed ivory outlets selling elephant ivory as mammoth ivory. Additionally, so-called mammoth ivory outlets have been observed offering a significant proportion of items that, in reality, were made of elephant ivory. **In fact, a trader in Hong Kong offered to sell elephant ivory to EAL investigators with a receipt describing the items as mammoth ivory.** The trader said that this would allow us to take the items out of Hong Kong.

EAL's investigation found out that these two types of ivory can be mixed and muddled together in the open market. Some elephant ivory is being sold and exported as mammoth ivory, which does not require an official CITES certificate. Additionally, when exporting, the acquisition of a mammoth ivory authenticity card²⁶ - can make it relatively easy to pass off small elephant ivory items as mammoth ivory, as customs officials tend to find it hard to tell the ivories apart. Ultimately, mammoth ivory could reasonably be a viable substitute for elephant ivory, but the current lack of trade regulations have simply created another loophole for the illegal elephant ivory trade, with elephant ivory being sold under the cover of mammoth ivory.

CITES & ETIS

CITES, which stands for the Convention on International Trade in Endangered Species of Wild Fauna and Flora, is a United Nations treaty organization.¹ Its aim is to ensure that international trade in specimens of wild animals and plants does not over-exploit protected species. States (countries) that have agreed to be bound by the Convention are known as Parties. Although CITES is legally binding on the Parties – in other words they have to implement the Convention – it does not take the place of national laws. Rather it provides a framework to be respected by each Party, which has to adopt its own domestic legislation to ensure that CITES is implemented at the national level.

All import, export, and re-export of species covered by the Convention has to be authorized through a licensing system. The species covered by CITES are listed in three Appendices, according to the degree of protection they need.

ETIS stands for the Elephant Trade Information System, and is an information system used by CITES to track illegal trade in ivory and other products.² The purpose of the system is to record and analyze levels and trends in illegal trade, rather than the illegal killing of elephants. The central component of ETIS is a database on seizures of elephant specimens that have occurred anywhere in the world since 1989. Since its inception, ETIS has been managed by TRAFFIC on behalf of the CITES Parties. Analysis of the information in ETIS is currently being used to help understand contemporary trade dynamics and advise CITES policy, decisions and interventions.

ETIS is non-public and composed primarily of government-reported statistics as per UN treaty obligations. Governments provide data on the weights, sizes, and transit locations of ivory seizures. There are inherent problems with the ETIS data as government reporting is not be consistent between countries or from year to year, reporting is not always timely, and data quality can be poor. For example, there are several countries known to be poaching and trafficking hotspots that have reported almost no seizure data to ETIS. Individuals and organizations analyzing ETIS data have to fill in this missing information from other sources where possible.

China is a Party to CITES and reports seizure data to ETIS.

1. <https://www.cites.org/eng>

2. <https://www.cites.org/eng/prog/ETIS/index.php>



Ivory on sale in Hong Kong

The Investigation

After receiving firsthand intelligence from our investigators on the ground, a leak from a source within the Hong Kong customs authority, some collaborative support from a Hong Kong-based non-governmental organization (NGO), and further research, we decided to begin our investigation in Hong Kong. These sources provided evidence that this Special Administrative Region of China was being used as a transit hub for the movement of ivory to China, including smuggled ivory from Africa, pre-ban ivory, and ivory from trophy hunting.



The port of Hong Kong

While in Hong Kong during our first mission, the investigative team surveyed several ivory retailers and collected information from local experts and NGOs. Vendors surveyed indicated that the ivory retail market in Hong Kong is declining. Vendors complained of low retail sales, with many wishing to divest from their ivory stocks, change over to other products, or retire. There was also discussion of the movement of ivory from Hong Kong to Beijing and other regions in China. The legal, pre-ban ivory is supposedly laundered with unknown amounts of illegal black market ivory and makes its way to China, primarily destined for Beijing, Shanghai, and the provinces of Fujian and Guangdong. The implication is that Hong Kong functions primarily as a hub to facilitate the import of ivory from the rest of the world and then re-export it to mainland China. This information led our investigative team to mainland China to find evidence of this link.



Investigation Locations & Contacts:

Company	Location	Title/Description	Report Identity
Beijing Mammoth Art Co. LTD	Beijing	Trader/brother of "boss" - import/export/carving factory	Beijing Trader 1
Beijing Mammoth Art Co. LTD	Beijing	Company "Boss"/Trader - import/export/carving factory	Beijing Trader 2
Not Available	Beijing	Trader/carver	Beijing Trader 3
Shengshi Xingwen LTD	Beijing	3-D Carving Machine Dealer	n/a
Guangzhou Store	Beijing	Retailer	n/a
Hip Wang International Logistics	Shanghai	Trader/import/export	n/a
Gengung	Fuzhou	Trader/carving factory	Fuzhou Trader 1
Gengung	Fuzhou	Trader/carving factory	n/a
ChungYuan Factory	Fuzhou	Trader/carving factory	n/a
Jia Jian Hong Shop	Putian	Retailer/carver	Putian Trader 1
Not Applicable	Putian	Border Guard - Port of Ma-Wei	n/a
Zheng-Gang	Fuzhou	Trader	Fuzhou Trader 3
Zheng-Gang	Fuzhou	Trader	Fuzhou Trader 2

Hong Kong, a Gateway to Mainland China

Between 2000 and 2013, approximately 33 tons of illegal ivory was seized in Hong Kong, with another 6 tons seized en route to Hong Kong and 2.5 tons seized after leaving Hong Kong.²⁷

27. TRAFFIC, "Wildlife Trade News - Ivory Trade Hot Spot Hong Kong Plans Huge Ivory Stockpile Burn."

28. Knights et al., "The Illusion of Control: Hong Kong's 'Legal' Ivory Trade."

29. AFCD, "The Ordinance."

30. Knights et al., "The Illusion of Control: Hong Kong's 'Legal' Ivory Trade."

At the time of the 1989 international commercial ivory trade ban, Hong Kong held a 670-ton stock of ivory. Unlike other Parties to CITES, Hong Kong decided to allow continued trade of this pre-ban ivory until the stockpile is exhausted without a deadline.²⁸ The Hong Kong government, through its Agriculture, Fisheries and Conservation Department (AFCD), attempts to control this legal ivory trade through required import, export, and possession licensing. The "License to Possess" ivory is a one-page form identifying the licensee's name, retail address, and weight of all ivory in possession. This document is supposed to be "displayed in a conspicuous position in the keeping premises specified in the license."²⁹ As identified by a number of investigations, and confirmed by ours, this is not the case at most locations possessing and/or displaying ivory.

Licensed vendors are required to report the total weight of ivory in their possession on an annual basis to the AFCD. In 2014, Hong Kong traders reported a cumulative total of 111.3 tons of remaining pre-ban stockpiled ivory. Based on ivory sale rates since 1989, Hong Kong's legal ivory stockpile should have been fully depleted by 2004.³⁰ Instead, the reported stockpile has not declined significantly over the last four years. The most likely conclusion to this paradox is that Hong Kong ivory vendors are replenishing their stocks with illegal ivory.



The port of Hong Kong

31. Lo and Edwards, "The Hard Truth: How Hong Kong's Ivory Trade Is Fueling Africa's Poaching Crisis."

WWF – Hong Kong's recent report, *The Hard Truth: How Hong Kong's Ivory Trade is Fueling Africa's Poaching Crisis*, identified a multitude of issues with Hong Kong's regulation of the ivory trade which is contributing to a thriving illegal ivory market, including:³¹

- **Lack of Transparency:** The list of legal ivory businesses operating in Hong Kong is not shared with the public making it extremely difficult for consumers to ensure they are participating in legal transactions.
- **Trader Self-Reporting:** The Hong Kong government relies on a system whereby ivory traders only self-report on their stockpiles with very little or no auditing of sales and stock.
- **Lack of Age Verification:** Ivory samples are not regularly tested to check whether they are from pre-1990 (legal) or post-1990 (almost exclusively illegal) stocks.
- **No Physical Link Between the Ivory Held and the Paper Trail:** The only requirement in place involves marking whole tusks and the larger cut pieces of ivory with a serial number, otherwise only documentation of total stock weights.
- **Traders Not Responsible for Illegal Re-Export:** Hong Kong ivory traders are not required to ensure that customers are residents of Hong Kong, and there are no regulations in place to confirm that tourists have fulfilled their customs duty by obtaining an export permit before completing a transaction.
- **Limited Resources:** As of January 2015, AFCD had only eight full-time inspectors to inspect the over 400 licensed ivory traders in Hong Kong.

As a result, the legal ivory trade in Hong Kong is used as a front for the illegal ivory trade. The ineffective system of regulation and monitoring creates loopholes for traders to launder illegal ivory through their legitimate or otherwise 'legal' businesses. As identified by Lo & Edwards (2015), traders report low ivory sales to the government while actually selling significant amounts of illegal ivory to consumers, primarily Chinese tourists in Hong Kong.



Beijing

It appears that if traders or buyers can successfully purchase licensed and permitted ivory in Hong Kong, regardless of where the ivory originated, then it is possible to garner export permits to mainland China. As previously stated, the loopholes in Hong Kong regulation facilitate this process, thus allowing Chinese consumers and traders to “legally” import illicit ivory.

Blending of the Legal & Illegal Ivory Trade

Our investigation within China began in Beijing as the city was identified as a prime destination for illicit ivory flowing through Hong Kong. Among the most important targets we identified was at **Beijing Mammoth Art Co LTD** (Beijing Mammoth). Our meetings with Beijing Mammoth confirmed much of the information we received in Hong Kong.

Although it is assumed that a certain amount of ivory and other protected wildlife products are actually smuggled without required documentation into mainland China, the Chinese government has taken significant steps to combat wildlife trafficking. Ivory traders were noticeably cagier about conducting illegal business transactions in China due to the public steps the Chinese government has taken recently to curb the illegal trade in wildlife, reduce demand, and harsher consequences that would likely be enforced if successfully prosecuted. Nevertheless, we collected evidence of a variety of ways to import illegal ivory into mainland China, bypassing the controls in place and using loopholes in the system.

Beijing Mammoth Art Co – Epitome of the Blend

The most important route used by traders that met with EAL investigators to import ivory is through Hong Kong, where the controls are less strict and less transparent as previously identified. The ivory is imported to Hong Kong, legitimized through the Hong Kong licensing and export permitting process, and re-exported to mainland China. One of the traders from **Beijing Mammoth** confirmed to EAL investigators that they set up a company in Hong Kong, called **Tung’s Carving Gallery** (listed director’s name TUNG Pit Wang according to Hong Kong Companies Registry Cyber Search Centre), for this very reason – to import and work the ivory in Hong Kong, then re-export the worked ivory to his business in Beijing. The trader from Beijing Mammoth also admitted that in Hong Kong, if you “pay the right individuals” you are able to acquire paperwork very quickly that legalizes your ivory, no matter the origin.

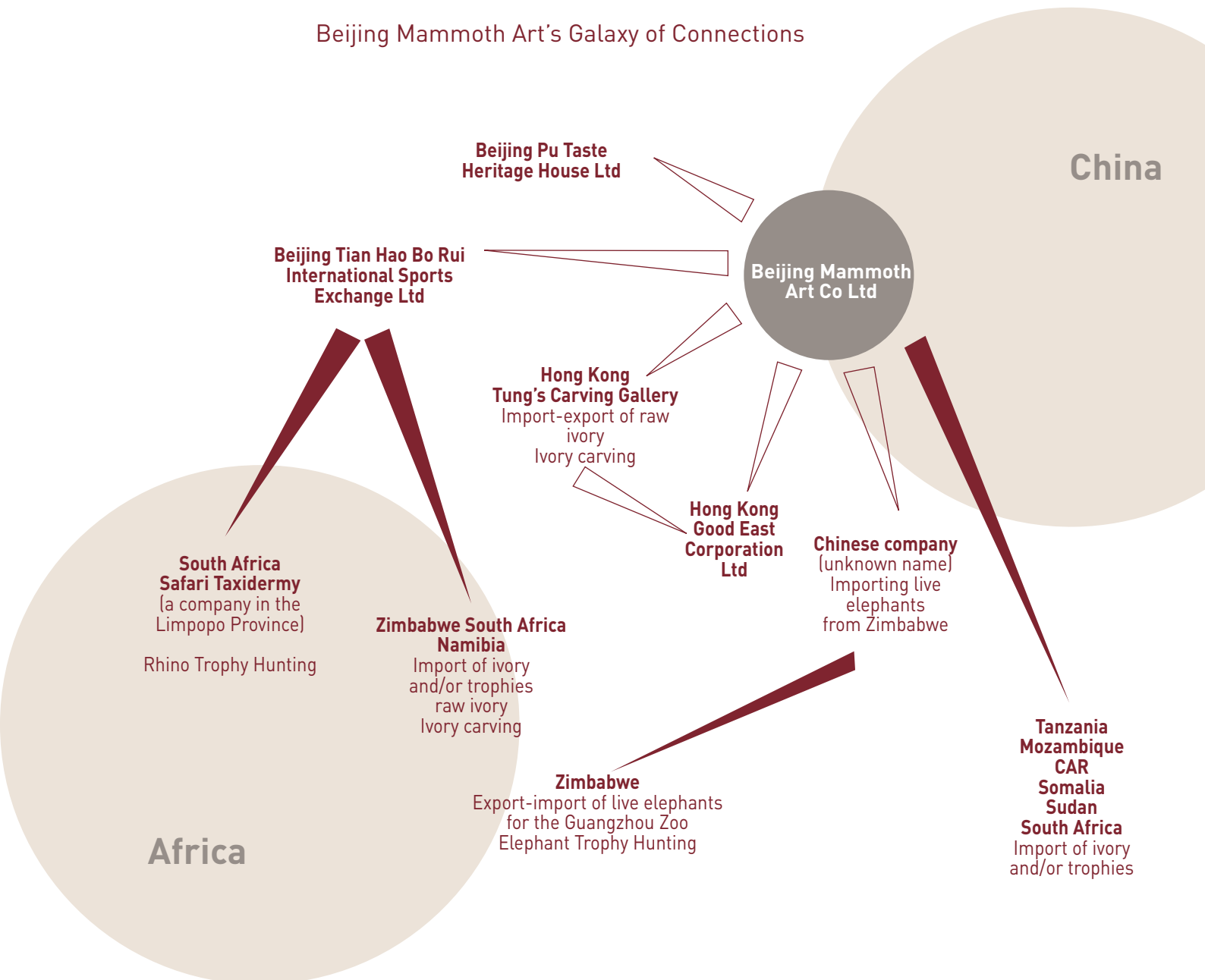
The ‘legality’ of ivory importing and sale in mainland China appears to be based on whether traders are able get the appropriate permitting and certificates (in Hong Kong and then mainland China) regardless of whether the underlying ivory material is actually legal (pre-ban or from trophy hunting) or illegal.

_Importing Illegal Ivory “Legally”

We spoke with two individuals at Beijing Mammoth, the “boss” and his brother. The company owns five legally accredited shops for selling ivory products, one of the biggest traders among all in Beijing. According to these contacts, they have established businesses in both Hong Kong and Beijing in order to reduce permitting timeframes and costs for the import of ivory into mainland China. The Hong Kong operation is an ivory carving facility because it is easier to obtain import/export permits for worked items and Beijing Mammoth can avoid depleting its raw material quota within mainland China by importing finished products.

The following discussions with the brothers running Beijing Mammoth identify how they import, process, and re-export ivory through Hong Kong:

Beijing Mammoth Art’s Galaxy of Connections



Undercover footage,
Beijing Mammoth Art



Conversation with Beijing Mammoth – Beijing Trader 1: MAH01627



Investigator: Do you import raw material (ivory)?

Beijing Trader 1: We import finished products. If you want to import raw material you need quota from government, such as 300 kg per year. But if we import finished products those are out of our quota.

Investigator (viewing ivory inventory on trader's computer screen): These also bought from Europe?

Beijing Trader 1: These are newly made ones. We imported material to Hong Kong, made them in Hong Kong, and then imported (to mainland China).

Investigator: So material and finished products have different certificates?

Beijing Trader 1: Yes.

Investigator: So you need the document for material to get a document for completed product?

Beijing Trader 1: From Hong Kong we import finished products and can get a certificate directly, instead of using our quota.

Conversation with Beijing Trader 2: MAH01628



Beijing Trader 2: We have a factory in Hong Kong.

Investigator: Same name?

Beijing Trader 2: No, called Hong Ya Tang, in Qingshan Road.

Beijing Trader 2: We need our Hong Kong company, otherwise it is difficult to trade with other countries. We set up the company in Hong Kong to reduce the cost.



Conversation with Beijing Trader 2: MAH01629

Beijing Trader 2: Through this transaction process, everything is legal. Our things are bought from outside and we have a small factory in Hong Kong, in Qingshan Road, a manufacturing workshop. The material that we have not made, we rent a place and have a company. We do trade in mammal material and ivory, so we need the company to import and export. We have bought 5 tons (of ivory) there.

Investigator: From where?

Beijing Trader 2: Two years ago.

Investigator: Two years ago you bought 5 tons?

Beijing Trader 2: Yes, you can go check it in Qingshan Road, our company. My boss is called Dong Bihong. In Hong Kong, I do manufacturing for others but do not care about sales. Some gave us the material to process, we delivered, then they took them to sell in Taiwan because [ivory] is more expensive in Taiwan. They transport [the ivory] to Taiwan; I do not care how they do it.

The Beijing Mammoth traders also run a hunting safari operation with partners in Zimbabwe and South Africa. **They showed EAL investigators three storage rooms in the company's Beijing warehouse containing small and large tusks "from hunting," "from Europe," and "from Africa," including "from Mombasa."** Most interestingly, any ivory "from Mombasa" is likely illegal as Kenya has not allowed trophy hunting since 1977 and Kenya was not involved in the 2008 CITES sale of ivory stocks. One room contained large pairs of tusks from trophy hunting "in Africa, such as Zimbabwe." The traders go on to say that any commercial sale of hunting trophy ivory is illegal, but there is significant implication that this company uses trophy hunting as a means to import new ivory given the observed tusks "from hunting" in the warehouse. A few other traders EAL investigators met also have contacts in South Africa and use trophy hunting as a way to import ivory, officially as 'trophies for personal use.'

Our investigative team viewed a number of crates outside the Beijing Mammoth warehouse with a shipped from address of a taxidermist in Limpopo Province, South Africa, called **Safari Taxidermy**. The crates were shipped to **Beijing Tian Hao Bo Rui International Sports Exchange Ltd**. Records for these companies indicate that both may be directly controlled by or associated with Beijing Mammoth. Again, without knowing

exactly what these crates contained, the strong implication is that Chinese traders of ivory, as well as rhino horn and other wildlife products, are working directly with consumers, Chinese nationals working in African countries, and African counterparts to take advantage of regulatory loopholes.

EAL investigators had the following conversation with the boss at Beijing Mammoth. **He is describing how an individual can kill a rhino, for example, in Africa, have it prepared as a full specimen by a taxidermist, ship the specimen back to China, and then have the horn removed and replaced with a fake horn.** This way the individual can use the horn him or herself or sell it, but still have a full specimen available for inspections should the authorities ever check. As the trader indicates below, this is another way to import rhino horns.

Undercover footage,
Beijing Mammoth Art



Conversation with Beijing Trader 2 (Boss): MAH01629



Beijing Trader 2: I mainly do trophy hunting and trade in live animals. We have another company in Beijing. This time we helped Guangzhou Zoo import about 20 live elephants. Alive ones, they do not want dead ones. You can also go trophy hunting with us and take the ivory.

Beijing Trader 2: We hunt rhinos in South Africa and elephants in Zimbabwe.

Investigator: You have partners there?

Beijing Trader 2: Yes.

Investigator: When specimen (full animal prepared by taxidermist) is inside China we can take off the horns?

Beijing Trader 2: Yes and I would place fake horns on it, same as real.

Investigator: So that is another way of importing rhino horns?

Beijing Trader 2: Yes (laugh).

In addition to the implications surrounding rhino horn, the Beijing Mammoth traders say they own another company that **facilitated the import of live elephants to Guangzhou Zoo from Zimbabwe.**

What is Trophy Hunting?

In a handful of African countries, including, among others, South Africa, Tanzania, Zimbabwe, and Namibia, trophy hunting is legal and has been for many decades and spanning many eras of the conservation story. Legal trophy hunting is regulated through the use of government-issued licenses to harvest specific species and quota-approved numbers of animals determined to be sustainable by a governmental management entity. The hunting season usually falls within a specific timeframe during each calendar year. A trophy animal is generally considered to be an older male of a species past breeding productivity; the actual 'trophy' is a body part that is preserved from the trophy animal (skin, skull, horns, tusks, etc.) after it is killed. Alternatively, 'poaching' is **unlicensed, illegal hunting of any kind and can be both specific – elephants for tusks, rhinos for horns – and indiscriminate – large scale bushmeat poaching using snares – in its destruction.**

The financial value of trophy species varies by country and is also determined by a government-recognized management authority. These values or rates vary substantially between local licenses and tourist licenses, with the latter being considerably more expensive. Individual hunters and hunting parties visiting African safari destinations from overseas typically pay tens of thousands – if not hundreds of thousands – of dollars (USD) for licenses, fees, taxes, transportation, accommodation, and taxidermy expenses. They purchase the opportunity – no guarantee – to harvest and export a trophy (trophies) that meets, in theory, the legal requirements of both the source country and the country to where the trophy is to be exported.

Trophy hunting is not immune to various forms of exploitation of the theory and of the laws governing its practice. In the field, the act of hunting requires self-imposed high ethical standards from 1) the professional hunter in charge of a safari, 2) the government representative overseeing a hunt, and

3) the tourist hunter actually pulling the trigger. At the national level, the allocation of hunting concessions and determination of the offtake quotas are often not transparent and influenced by corruption.

Furthermore, the export and import laws moving hunting trophies around the world have created yet another avenue for the laundering of elephant ivory, rhino horn, and other wildlife products onto the black markets. Earlier in 2015, the Chinese government imposed a one-year ban on the import of elephant trophies from African countries and the US Fish and Wildlife Service extended a ban on the import of elephant trophies from Tanzania through 2015, and from Zimbabwe indefinitely.¹

Importing trophies to China

On 15 October 2015 a notice was published on the official website of China's State Forestry Administration (SFA) stating that a temporary ban had been imposed on importing ivory hunting trophies from Africa. The temporary ban will be in effect until 15 October 2016.²

Over the past 10 years, hunting in Africa has become an increasingly popular pastime for Chinese nationals. Elephant ivory is one of the primary trophies sought by hunters from around the world, including Chinese tourist hunters. Before 15 October 2015, legally hunted elephants and the tusks thereof were allowed to be imported to China, despite an earlier ban on the trading of ivory products.

The Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) lists a number of exceptions for the legal trade of African ivory, including ivory obtained through legal trophy hunts. CITES also regulates the annual export quota for hunting trophies from a few African coun-

1. <http://www.fws.gov/international/permits/by-activity/sport-hunted-trophies.html>

2. Available at <http://www.forestry.gov.cn/main/4461/content-807654.html>, accessed 13 December 2015.

3. For example, CITES proposal to Tanzania on trophy hunting, 3-14 March 2013, available at <https://cites.org/sites/default/files/eng/cop/16/prop/E-CoP16-Prop-11.pdf>, accessed 13 December 2015.

tries. CITES defines this aspect of the legal trade as use “for non-commercial purposes,” which means that the hunting trophies are considered to be the private property of the licensed hunter.³

The Chinese government’s real motivation for issuing the recent ban on the importation of hunting trophies is to force the US to make some tough decisions on how to address its own ivory policies. Zhou Fei, Head of TRAFFIC’s program in China, stated that “among all the promises made by the US and China, in terms of the prohibition of the importation of hunting trophies, China is creating pressure on the US to see equal

action from the US prohibiting hunting trophy imports and the reason is simple: Chinese do not trophy hunt as many elephants as Americans in Africa.”

The impact of China’s ban on the import of ivory as hunting trophies is still too early to be noticed. However, this initial step may be the first in terms of effectively closing loopholes that have been – and are being – exploited by traffickers. Additionally, the ban may end up strengthening the bipartisan approach between China and the US – the two largest consumers of ivory – and how these countries are attempting to address the elephant poaching crisis.



Ruaha National Park, Tanzania



Shanghai

Our team moved on to visit Shanghai and met with a contact from **Hip Wang International Logistics**. This trader also identified trophy hunting as a legal means to bring ivory into China. As long as approvals, permits, and the Certificate of Endangered Species are acquired in China and the applicable African country, “if you killed an animal, it is yours.” He went on to say that if you are not a good shot, you can arrange for a professional hunter to kill an elephant for you, but when claiming the trophy specimen, though, the Chinese national must indicate that he or she personally killed the elephant in order to receive the trophy import permit. Depending on the African country, using a professional hunter to kill an animal for you may or may not be legal.

China has imposed a one-year ban on the import of ivory acquired during trophy hunting in Africa effective October 15, 2015. This ban is a follow-up to the agreement reached between the presidents of China and the United States in early October 2015. The agreement will hopefully eventually result in a near complete ban on ivory imports and exports, significant restrictions on the import of ivory obtained as hunting trophies, and further steps to reduce the domestic commercial ivory trade in China.³² In February 2015, China’s State Forestry Administration also imposed a one-year ban on the import of carved ivory items acquired after July 1, 1975. The traders we spoke to, though, indicated that this ban mainly affects tourists wanting to bring worked items back to China from abroad, and not licensed ivory traders.

Laundrying Ivory in Mainland China

While in Beijing, EAL investigators also met with an ivory trade insider who was extremely forthcoming about the ivory market in China. This individual sells 3D carving machines to ivory carving factories and shops. **He indicated that there are 300 or more small carving workshops in Beijing**, which is many more than the 10 officially licensed factories.³³ According to this contact, Beijing Mammoth is a supplier of raw ivory for these smaller workshops and the material supplied is not legal.

32. Zhou, “Ivory Imports from Trophy Hunting Banned.”

33. Vigne and Martin, “China Faces a Conservation Challenge: The Expanding Elephant and Mammoth Ivory Trade in Beijing and Shanghai.”

Our Shanghai contact from Hip Wang International Logistics identified antique certification and items with certificates of auction (both representing pre-ban ivory) allow for an easy pass through customs when importing ivory. The contact also claims, though, that *all* ivory can be imported to China if appropriate documents are obtained, including a packing list, invoice, contract, certificate of origin, and license/certificate from the State Forestry Administration (SFA). This statement applies to antique, pre-ban, and *post-ban* ivory. As long as you can get the ivory permitted with a certificate you can import it regardless of source. If you are able to “pay the taxes” and are dealing with the same individuals throughout the permitting and stamping process, the easier it is to get legal documentation. The implication from this contact is that at least some of the “taxes” are bribes to facilitate the paperwork process.

Following various leads, EAL investigators also visited the Fujian Province, specifically Fuzhou and Putian. A shop in Xianyou, Putian offered available ivory carvings that included tea-soaked ivory pieces that looked like antiques. The buyer would be able to pass the item off as an antique that has been passed down by ancestors according to the contact. An assumption could also be made that tea-soaked new ivory could be imported with “bought” antique certifications. Unless the ivory is age tested, it would be extremely difficult to determine that the ivory is from recently poached elephants.

The Xianyou shop offered EAL investigators raw ivory via pictures on a mobile phone, a practice that many shops employ. The contact also showed pictures of available rhino horn and tiger teeth. In fact, almost all ivory traders and carving facilities visited during this investigation also had rhino horn available for sale. Putian Trader 1 confirmed that the demand is still very strong and he sells as much rhino horn as he can source.

Conversation with Putian Trader 1

Investigator: I have a friend who likes this (rhino horn) a lot. He used to collect a lot and hide it during crackdowns.

Putian Trader 1: Yes, the crackdowns.

Investigator: When you needed to register them all, he said he buried them underground, in a hole.

Putian Trader 1: He can sell them. In Europe or China. The market is good and easy to sell. For example, the current market price is 200 CNY per gram, you sell to me for 150 CNY. I can sell them immediately, no matter how much you have.

A number of the contacts our investigators spoke with indicated that much of the ivory traded in mainland China is done so between private parties. Gifting and debt repayment using ivory offers additional opportunities for ivory to exchange hands or enter the “legal” market. Many traders prefer working with private buyers as opposed to retail establishments. Beijing Trader 2 from Beijing Mammoth indicated the following when speaking about new products, the quota, and certificates:

“If without a document, we would not sell to shops because they violate the law when displaying. For private buyers it is fine because they put them at home.”

One dealer claimed that people buy ivory all the time and not just for their own collections or as an investment; he suggested that it is potentially used as a gift in order to facilitate favors from people in influential positions. Another contact in Fuzhou implied that bribes from the ivory trade within China is very lucrative for public officials. Additionally, Beijing Trader 3, also a well-known carver, indicated that his company is backed by a high-ranking politician from Fujian and this is how the company was able to get its ivory carving and trading licenses.

Rhino Horn Obsession

“What a shame that I don’t have a pair of wings like a phoenix so I can fly to my beloved one, but at least our shared hearts are deeply connected like those mysterious rhino horns.”

Li Shangyin

A poem written by the famous ancient poet Li Shangyin during China’s Tang Dynasty may be one of the best ways to describe Chinese obsession for “mysterious rhino horns.” The Chinese have long believed that the patterns found in rhino horns connect us to the deepest parts of our heart. Unfortunately, the Chinese affection for rhinos was not restricted to those beautiful poems or paintings from thousands of years ago.

It was believed in ancient China that white foam would appear if the drink in the emperor’s rhino horn libation cup had been poisoned. Hundreds of the most delicately carved libation cups from ancient times were cherished and passed on by generations of Chinese emperors. In the 2010 Spring Auction at Christie’s in Hong Kong, a carved rhino horn libation cup from Emperor Kangxi received a bid of 39,860,000 HKD (5,143,000 USD), the highest ever recorded.¹

The myth is probably related to what is recorded in the most complete and comprehensive medical book ever written about traditional Chinese medicine, *Bencao Gangmu* (Compendium of Materia Medica) by Li Shizhen in 1597 during the Ming Dynasty. It says that rhino horn is good for curing headaches and colds, pimples and pus, and is even beneficial for those who have had strokes and heart attacks. In a more contemporary context, rhino horn is believed to be an effective detoxifying ingredient, and that it has a positive impact on cancers, hangovers, and for discharging all sorts of poisons from the body. The dramatic revival of Traditional Chinese Medicine under Chairman Mao Zedong in the 1950s and 1960s is partly responsible for this resurgence. According to Esmond Bradley-Martin – one of the world’s leading experts on the rhino horn trade – one consequence of this revival was “a significant increase in demand for rhino horn in China.” Between 1982 and 1986, long after the 1977 international ban on trade in rhino

horn, China imported at least 10 tons of the commodity.² In the early 1990s, rhino horn was removed from the official Chinese Pharmacopoeia.

Upon signing the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1990, China added the species listed in the CITES Appendices to its national protection measures. In May 1993, the China State Council issued a notice on the prohibition of the trade of rhino horns and tiger bones. The notice made it illegal to import or export rhino horn and tiger bones, as well as illegal to sell, purchase, transport, carry, or mail rhino horn and tiger bones. This included a ban on using Rhino horn and tiger bone for medicinal purposes.³ Shortly after the State Council notice, the State Administration for Industry and Commerce issued another notice reaffirming the complete prohibition of selling, purchasing, transporting, carrying or mailing rhino horn and tiger bones and the derivatives thereof.⁴ In 2014, the death penalty could be handed down to those convicted of illegally buying or selling state protected/endangered species and derivatives, including ivory and rhino horn products. Even after the most recent amendment to China’s Criminal Law,⁵ a conviction for both the crime of smuggling⁶ and the crime of illegal purchasing, transporting or selling endangered wildlife or the products thereof includes a life sentence if the monetary value meets the guideline defined by the law.⁷ The degree of the sentence for each crime depends on the monetary value of the wildlife products concerned.⁸ A specific decree was issued by China’s State Forestry Administration regarding the assessment of the monetary value of rhino horns, assigning a value of 250,000 RMB (38,700 USD) per kilogram.⁹

China appears to be emerging as a country of concern with regard to the illegal rhino horn trade, in a manner similar to Vietnam, a traditional rhino horn consumption country.¹⁰



**White rhino,
Kruger National Park,
South Africa**

There is evidence of increased trade of rhino horn in China, especially in the southwestern provinces of Guangdong, Guangxi, Yunnan, and Fujian, where the locals are more culturally connected to Vietnam. Rhino horn in China is not always used as medicine, but also as a product that represents social status or as a

toy to show off among the newly rich. There were only two documented rhino horn seizures in Vietnam and China in 2012, resulting in the confiscation of three rhino horns. Since 2013, though, China has made multiple seizures at the Vietnamese border.¹¹

1. Available at: http://www.china.com.cn/culture/zhenbao/2010-06/01/content_20161410.htm, accessed 13 December 2015.
2. Chinese crime rings and the global rhino horn trade, Julian Rademeyer, available at <https://www.chinadialogue.net/article/show/single/en/7232-Chinese-crime-rings-and-the-global-rhino-horn-trade>, accessed 13 December 2015
3. Available at: http://www.ifaw.org/sites/default/files/cn_ban_rhino_horn_and_tiger_bone_19930529.pdf, accessed 13 December 2015.
4. Available at: http://www.saic.gov.cn/ftdyfbzdj/zcfg/200705/t20070523_57754.html..., accessed 13 December 2015.
5. Last amended on 1 November 2015.
6. Art 151, CRIMINAL LAW of P.R.China: Whoever ... smuggles precious animals whose import and export are prohibited by the State or products made thereof shall be sentenced to imprisonment of not less than five years but not more than 10 years

- and a forfeiture of property; if the circumstances are specially serious, shall be sentenced to imprisonment of not less than 10 years or life imprisonment and a forfeiture of property; or if the circumstances are minor, shall be sentenced to imprisonment of not more than five years and a forfeiture of property.
7. Art 341, CRIMINAL LAW of P.R.China: Whoever ... illegally purchases, transports or sells the wildlife under special state protection which are precious or endangered and the products thereof shall be sentenced to fixed-term imprisonment of not more than five years or criminal detention and a forfeiture of property; if the circumstances are serious, shall be sentenced to fixed-term imprisonment of not less than five years and not more than ten years and a forfeiture of property; if the circumstances are especially serious, shall be sentenced to fixed-term imprisonment of not less than ten years and a forfeiture or confiscation of property.

8. INTERPRETAION OF THE SUPREME PEOPLE'S COURT ON THE CONCRETE APPLICATION OF LAW IN THE TRIAL OF CRIMINAL CASES OF SMUGGLING (10 September 2014); INTERPRETAION OF THE SUPREME PEOPLE'S COURT ON THE CONCRETE APPLICATION OF LAW IN THE TRIAL OF CRIMINAL CASES OF DAMAGING WILDLIFE RESOURCES (11 December 2000).
9. NOTICE FROM THE NATIONAL FORESTRY BUREAU ON THE MONETARY ASSESSMENT OF THE VALUE OF SMUGGLED RHINO HORNS AND ITS PRODUCTS FROM THE CRIMINAL CASES OF DAMAGING WILDLIFE RESOURCES (18 May 2002)
10. Available at <http://www.traffic.org/cop16-table/>, accessed 13 Dec. 15
11. Interview with Tom Milleken, available at: <https://www.chinadialogue.net/article/show/single/en/6577-China-s-many-roles-in-the-illegal-rhino-horn-trade>

Rhino Poaching & the Rhino Horn Trade in Context

For thousands of years, rhinoceros (rhino) horn has been a highly sought-after, luxury commodity. The demand for rhino horn – in different forms and for a wide range of uses – has come historically from Middle Eastern cultures, China, South East Asian cultures, and more recently from the United States and Europe. In Yemen, rhino horns have been carved into dagger handles, jambiyas, for centuries. In a relatively recent development, in Vietnam, rhino horn powder is believed to detoxify the body, particularly as a treatment for cancer or as a hangover cure. Since the early 20th century, trophy hunters primarily from the United States and Europe have invested large amounts of money and time to travel to wild places in Africa to hunt rhino for their horn.

1. <https://www.cites.org/eng/app/appendices.php>

2. <http://www.cnn.com/2014/01/16/us/black-rhino-hunting-permit/>

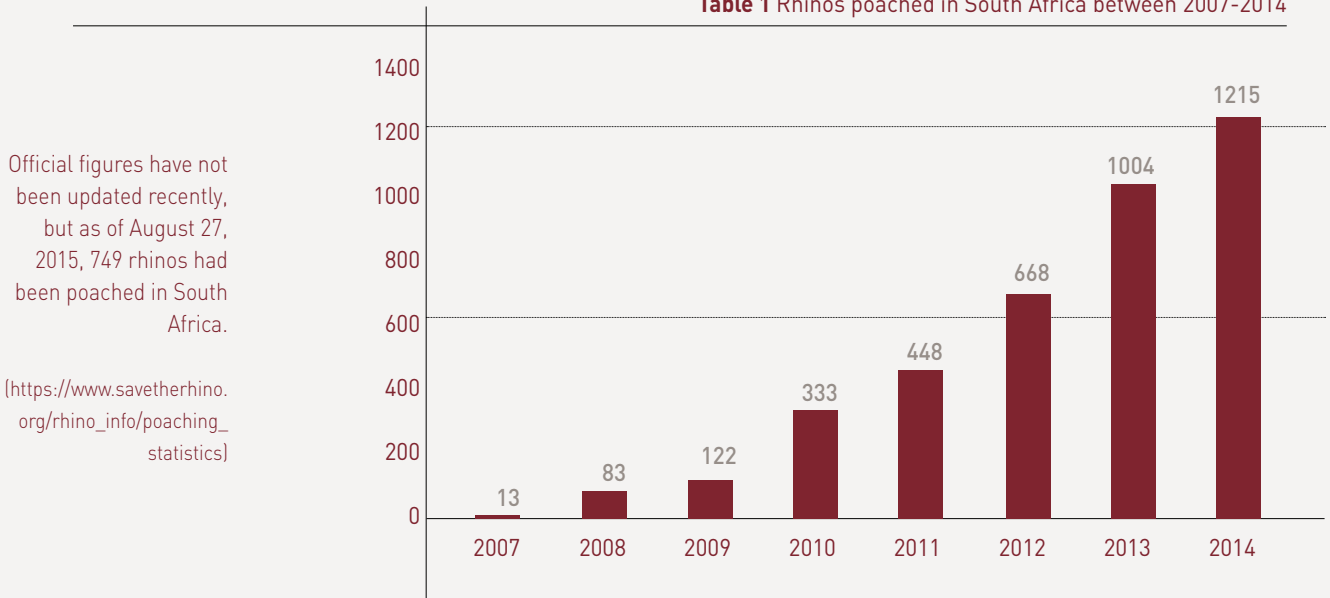
3. <http://money.cnn.com/data/commodities/>

The trade in rhinos and rhino horn is currently both legal and illegal, this gray area poses potential problems. According to the Convention on International Trade in Endangered Species (CITES), all populations of the five species of rhinoceros were listed as Appendix I species in 1977, which means that the species (rhinos) – or their parts or derivatives (e.g., intact rhino horns, powdered rhino horn) – cannot legally be traded internationally for commercial purposes.¹ However, in 1995, as a result of the re-established and

stabilized white rhino populations in South Africa and Swaziland, CITES down-listed the white rhino populations of these two countries to Appendix II, allowing for strictly moderated international trade in live animals to appropriate and acceptable destinations (i.e., zoos), and for strictly managed trophy hunting. Additionally, CITES had agreed to an exemption for Namibia by allowing an annual export quota of up to five black rhinos (and associated derivatives) to be taken by trophy hunters. In 2014, a license to shoot a rhino in Namibia was auctioned off to an American hunter for \$350,000, with the proceeds going towards conservation efforts in that country.²

The approximate black market value of rhino horn varies and has reportedly been sold for upwards of \$60,000 per kilogram (or approximately \$1,700 per ounce). While conducting this investigation in China, EAL investigators were offered rhino horn for CNY 200 per gram, which is equivalent to approximately \$30,000 per kilogram (or \$850 per ounce). Rhino horn from rhinos in Asia is reportedly worth twice that of rhino horn from rhinos in Africa, ostensibly due to the extreme rarity of the species in Asia. In comparison, gold and platinum are both currently valued at approximately US\$1,080 and \$860 respectively, per ounce.³

Table 1 Rhinos poached in South Africa between 2007-2014



Official figures have not been updated recently, but as of August 27, 2015, 749 rhinos had been poached in South Africa.

(https://www.savetherhino.org/rhino_info/poaching_statistics)

In spite of these conservation and law enforcement gains, rhino poaching has spiraled out of control in recent years. South Africa in particular has been very hard hit; the country is home to the highest number and concentration of rhinos on the planet.

The impact that this surge in rhino poaching is having on humans can be categorized in three primary ways:

1. **The Game Rangers:** the men and women responsible for patrolling protected areas often do so with insufficient support, under difficult conditions, have to cover vast tracts of land, and put their lives in danger. In the last decade, over 1,000 men and women have died – 80% were killed by commercial poachers or recognized militia groups – in the service of protected areas and wildlife around the world.⁵ Even when game rangers are successful in the apprehension of suspected poachers, the systems in place do not always guarantee that law enforcement personnel are protected. In South Africa, rangers can only engage suspected poachers in a firefight in self-defense and face severe penalties if this cannot be proven in court, especially if a suspected poacher is killed.

2. **The poachers:** since 2012, more than 800 suspected rhino poachers have been arrested in South Africa.⁶ The vast majority of these suspected poachers are Mozambicans who cross into the Kruger National Park (KNP - arguably South Africa's flagship protected area and home to Africa's largest rhino population) attempting to strike it rich. Mozambique's gross national income is USD 620 per annum so one can understand why economically destitute Mozambicans might consider crossing into the KNP to kill rhino.⁷ Of course, the poachers killing South Africa's rhinos are not just Mozambicans. In 2010, a very active poaching syndicate involving South African veterinarians was broken up by law enforcement authorities; past suspects accused of involvement in rhino poaching who faced trial in South Africa's courts include a member of South Africa's National Defense Force, a police officer and a lawyer. In the US, the own-

ers of a South African hunting company have been indicted for selling illegal hunts to potential clients. In an important arrest and conviction, a Vietnamese national was sentenced to 30 years in prison for wildlife trafficking in 2011.⁸ It would appear that the lure of making a substantial profit is worth the risk to people from all walks of life when the targeted resource is so valuable.

3. **Eco-tourism and the Communities:** the most recent data provided by the World Bank reported that international tourism in South Africa contributed 5.3% to the country's GDP.⁹ In 2013, South Africa's tourism sector created more jobs than the mining industry and accounts for approximately 4.5% to the overall employment figures in South Africa.¹⁰ This has an obvious impact on communities adjacent to protected areas in South Africa, in the form of job creation and reliable income. With an unemployment rate of 25%, a job and reliable income in South Africa are cherished. Critically, the positive connection between conservation/wildlife, eco-tourism, and peoples' livelihoods has successfully been made and clearly disseminated, and is highly valued by these communities.

There is a strong argument to be made that the trade in rhino horn should be totally banned. There is also a conflicting argument from the pro-trade camp to allow managed international trade in rhinos and rhino derivatives. Very controversially, a judge recently lifted the domestic ban on the trade of rhino horn in South Africa, challenging efforts to curb demand and stem the ever-rising levels of poaching; the South African government plans to appeal the ruling.¹¹

This is a problem that requires both an immediate halt to the rampant poaching of rhino populations worldwide, and a permanent shift in attitude to reduce demand in foreign countries where rhino derivatives are prized and highly sought after. Demand must be slowed – ideally, it must stop – and there can be no gray area regarding the trade – domestically or internationally – of the resource.

5. <http://www.thingreenline.org.au/>

6. https://www.environment.gov.za/projectsprogrammes/rhinodialogues/poaching_statistics

7. <http://data.worldbank.org/country/mozambique>

8. <https://eia-international.org/vixay-keosavang-untouchable-kingpin-of-wildlife-crime>

9. <http://data.worldbank.org/indicator/ST.INT.XPND.MP.ZS/countries?display=default>

10. <http://data.worldbank.org/indicator/ST.INT.XPND.MP.ZS/countries?display=default>

11. <http://www.theguardian.com/environment/2015/nov/26/south-african-judge-lifts-domestic-ban-on-rhino-horn-trade>

Antique Ivory

China became a Party to the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1990, but it was not until 15 years later that China decided to temporarily ban the importation of post-Convention African ivory carving products. The policy notice is valid through 26 February 2016, but it does not apply to the trade in ivory products created pre-Convention (i.e., pre-ban ivory).

In fact, it is not forbidden by Chinese law to continue trading the ivory products obtained before CITES. Verified by EAL investigators,

one of the most common ways to legally import pre-ban ivory products to China is to declare them as antiques or relics. Antiques or relics are not considered as special products by Customs Law of P.R. China, so no special rules are applied. In practice, required documents for clearing Customs include a packing list, a business contract, a commercial invoice, photographs of the product, a certificate of original source, and other necessary descriptions and papers. Additionally, antique ivory that is older than 100 years is exempt from the import tax, although the regular 17% VAT is still applied. To prove an ivory item is antique a certificate issued by an accredited auction house, or a Customs declaration from the exporting country, is required.

Antique ivory,
personal collection,
Europe



With regard to antiques made of endangered species, including those both nationally recognized and listed in CITES Appendices, the most important additional document to obtain is a Wildlife Importation Approval Certificate. The China Endangered Species Importation and Exportation Management Office, together with the General Administration of Customs of P.R. China, issued an extensive catalogue on 29 December 2013 listing more than 22,000 types of species that require a Wildlife Importation/Exportation Approval Certificate. Both African and Asian elephant products require the procurement of import and export approval certificates before entering or leaving China. The issuance of this certificate is managed by the China Endangered Species Importation and Exportation Management Office. A detailed guideline of the issuance of the certificate was released jointly by the State Forestry Administration and the China General Administration of Customs on 9 February 2014. The guideline clearly lists the required documents for the application, including one of the most important pieces of documentation, a Wildlife Exportation Approval Certificate from the exporting country, as well as proof of the legal source of the wildlife product.

Changing Attitudes & Market Conditions

34. Knights et al.,
“The Illusion of Control:
Hong Kong’s ‘Legal’
Ivory Trade.”

While witnessing what still appears to be a thriving legal and illegal ivory market in China, EAL investigators also uncovered a slight shift in attitude and practice. Due to increased anti-trafficking efforts by Chinese law enforcement agencies and significant demand reduction efforts, it was apparent that illegal players are moving further underground or getting out of the ivory business.

EAL investigators surveyed dozens of retailers in Hong Kong, where some retail owners lamented a slowing of business and poor sales of ivory. The resulting impression is that Hong Kong’s retail market for ivory is slowly declining. A number of Hong Kong’s largest retail outlets have eliminated or plan to eliminate ivory from their merchandise selection in response to public pressure.³⁴

In mainland China, Fuzhou Trader 1, from a company called **Gengung**, indicated that there is still significant importing of ivory into Hong Kong and that the ivory may be being stockpiled there, but further imports to China are slowing down or stopping “this year” as it has gotten very difficult to acquire the certifications. He commented that it is more difficult for private companies to acquire certification than the state-run companies.

A Putian trader with **Jia Jian Hong Shop**, a former smuggler himself, described previous excursions to Vietnam and Laos to smuggle ivory back through the Yunnan Province. He no longer deals in ivory and has switched to the agarwood business, a rare and expensive raw material primarily sourced from *Aquilaria malaccensis*, a CITES Appendix II listed tree, that is carved into furniture, trinkets, and used in incense.

Putian Trader 1 Regarding the Future of the Ivory Market:

“Lately, people have a higher consciousness about wildlife protection...Now the public opinion, the United Nations convention after 1998, ivory is protected. Import and export are forbidden.”

Fuzhou Trader 1 discusses the difficulties ivory sellers are now facing in China:

Conversation with Fuzhou Trader 1 – Company = Gengung 

Fuzhou Trader 1: The point is ivory. The agreement, which was signed by President Xi in USA, prohibits the import and export of ivory.

Investigator: But it’s still legal when it’s domestic sale.

Fuzhou Trader 1: You need to have qualification. No one dares to sell if there’s no further action from the government. They [say] “No trading, no killing” in public and act as they want to protect the ivory. Even we attended some exhibitions, the

buyers will ask whether we can sell under the “ivory protection.” Therefore, there will be no ivory buyers. Although there are a lot of people sell with low price. We cannot do anything about it. We need to record how much we manufacture, what we manufacture, how much we sell and whom we sell. The government might visit you all of a sudden and ask you show one of the record, which is 3 years ago. Therefore the regulation is strict.

As these traders intimate, dealers and private owners are becoming hesitant to sell their ivory if the legality of the transaction could be in question.

Undercover footage,
Trader 2 in Fuzhou



Fuzhou Trader 2 from Zheng-Gang also told EAL investigators about an **upcoming meeting where ivory traders and carvers would meet to discuss the future**. He acknowledged that there are a few players who are ready to stop working on elephant ivory and focusing instead on mammoth ivory, cow bone, and wood. He said that the only way this would work is if the Chinese government buys back the legal stock of ivory from the traders and carvers. **The only problem is that the quantity of illegal ivory in China is several times higher than the quantity of legal ivory, and this makes it problematic for many to accept this option as they would lose a significant amount of money.**

Conversation with Fuzhou Trader 2



Investigator: So, the best solution you mentioned for ivory industry is, the government buys all the ivory and places it in a museum. I think the carving skill should be preserved. We can use mammoth as material. How does it work if we want to buy from you?

Fuzhou Trader 2: It's easy. [For example,] there were a lot of fish ships in Hong Kong. The government spent 5 billion to buy all the fish ships, removing them from the sea [to protect] the coral; shark fin. If the government is willing to spend 10 billion to buy all the ivory on the market...

Fuzhou Trader 2: If they can control the legal vendor and catch

every illegal one, there will be no illegal [market] in the future. The best way is they have all the stuff and put it into a museum, as wildlife protection and also education.

Investigator: If we buy your collections, will the government buy back when the day comes?

Fuzhou Trader 2: You buy the legal ones, like us, but you cannot export. Therefore, yes, the government will buy his collections, the legal ones.

Investigator: What will you suggest in the national assembly?

Fuzhou Trader 2: I will propose the same idea. Some vendors also agree to my idea. Some vendors have very rare collections from great masters. Each of them cost over millions. They will not agree to my idea if the government buys [the ivory back] using the original sale price.

Investigator: It's said they will catch the illegal [traders] in the news, but there are still a lot.

Fuzhou Trader 2: Illegal ones (traders) are many times of the legal ones. They smuggled. It's all under the table. Have you not seen the news lately, a woman got caught for ivory smuggling? Where there is a fortune, there is business.

Investigator: Yes. Since a long time, ivory used to be very valuable goods.

Comparing Findings

We returned to Hong Kong at the end of our last mission in order to compare our findings with those supplied by independent investigators to the NGOs WildAid and WWF-Hong Kong. According to WildAid's conclusions, Hong Kong offers "a "legal" trade that provides cover for smuggling, profit for criminal syndicates and incentive for poachers to kill as many elephants as they can."³⁵ The evidence supplied by independent investigators to WildAid behind this statement exactly corroborates the information provided by the Hong Kong ivory traders to our lead investigator during our first mission in early 2015. Hong Kong is operating as a hub for the smooth facilitation of trade in ivory obtained from freshly poached and illegally-killed elephants through its "legal" market, and the bureaucrats at Hong Kong AFCD are expediting this trade through a quick rubber-stamping process.³⁶

35. Ibid.

36. Lo and Edwards, "The Hard Truth: How Hong Kong's Ivory Trade Is Fueling Africa's Poaching Crisis."

As previously discussed in this report, Beijing Mammoth Art Co. LTD is one example of a large ivory trader that has established an organization in Hong Kong (Tung's Carving Gallery, owned by Tung Pit Wang) for the purpose of importing ivory to mainland China. With lax regulatory controls and much less transparency in terms of licensed ivory stockpilers, Hong Kong offers a means for mainland Chinese traders to license and legitimize new ivory stocks. This stock can then enter China's "legal" import permitting process, generally disguised as pre-Convention, antique, or trophy hunting ivory.

Tiger Parts & The Desire for Rare Wildlife Products



Undercover footage, Trader 3 showing EAL investigators tiger teeth, Beijing

EAL investigators met with a trader and well-known ivory carver (Beijing Trader 3 from the contact list) a few times. During the last visit, after a few hours of general discussion about the ivory trade, past and present, Beijing Trader 3 told our investigators about his passion for collecting mounted animals from all over the world. He then took the team to a room in the basement and presented an impressive collection of mounted animals and wildlife products, including various grizzly and polar bears, pumas, statues made of red coral, butterfly wing art displays (supposedly smuggled out of Brazil) and a tusk from a narwhal. He then took our investigators back upstairs to the showrooms floor and into one of his partners' showrooms, where he revealed what are clearly **illegal wildlife products including tiger teeth, tiger bone wine, and various items made out of rhino horn.**

Undercover footage, Trader 3 showing EAL investigators his collection of trophies and rare wildlife products

The Chinese government banned all trade in tiger bone and rhino horn prod-

ucts in 1993.¹ Any current sale of tiger bone products is in blatant violation of both international and domestic trade bans. The tiger bone wine in the collection of Beijing Trader 3 and his partners was made by **Tong Ren Tang**, a manufacturer of Traditional Chinese Medicine products. In 2011, the Beijing auction house, **Googut**, listed over 400 bottles of tiger bone wine from various Traditional Chinese Medicine manufacturers for auction. The Chinese government eventually stopped the sale of tiger bone wine, as well as any rhino horn and elephant ivory offered for auction.² Unfortunately, the government did not confiscate all these items, but merely banned all sales.

Although China has outlawed the consumption and use of wild tiger parts, commercial breeding of these animals for this purpose is perfectly legal. Tiger 'farms' must be authorized by the State Forestry Administration (SFA), but the farms generally breed, house, and treat the tigers like commercial livestock.



Undercover footage, Trader 3 showing EAL investigators his collection of trophies and rare wildlife products



Undercover footage, art made of Brazilian butterflies, Trader 3, Beijing

These commercially bred tigers are put on display and sometimes killed through what are called “canned hunts” as a form of entertainment for customers. When a captive tiger dies, its various parts may be sold except for its bones and teeth. Even though merchandise made from captive tiger parts must be licensed for domestic sale by the SFA, the legal trade offers loopholes that merchants can use to ‘launder’ wild tiger parts into the open market.



The underlying theme that permeates this discussion, and this report, is the desire by many people in China, and other countries for that matter, to own and collect rare wildlife products. Unfortunately, the closer an animal species is to extinction, the rarer and more valuable it becomes for traffickers and their customers.

1. “全球法律法规网,” accessed December 16, 2015, <http://policy.mofcom.gov.cn/GlobalLaw/blank/claw!fetch.action?id=g400004761>.

2. Grace Ge Gabriel, “UPDATED: Illegal Tiger Bone Wine Auction in Beijing Must Be Stopped,” IFAW, December 5, 2011, <http://www.ifaw.org/united-states/news/updated-illegal-tiger-bone-wine-auction-beijing-must-be-stopped>.

There has been evidence that commercial tiger breeding has revived what was a waning market for tiger products, and stimulated poaching of wild tigers. The availability of products from captive-bred tigers – such as this tiger bone wine – creates demand for wild tiger products and confuses efforts to enforce regulations and reduce demand. CITES has recognized the existence of so many captive-bred tigers as directly threatening wild tiger populations, and has urged China to phase out commercial tiger farming. Although Chinese authorities have attempted to crackdown on the illegal wildlife trade in recent years, legal captive tiger breeding continues and, like the legal domestic ivory trade, just creates opportunities for laundering of wildlife parts.



Undercover footage, Trader 3 showing EAL investigators tiger bone wine, Beijing

Investigation Findings

The discussions and observations presented in this report solidly support the theory that China's illegal ivory trade is not separate from the legal ivory trade, rather it is intertwined with the legal trade, opportunistically using loopholes in the regulation of the legal ivory market as a means to launder illicit ivory into the system. This new reality means that combatting the illegal ivory trade in China will be extremely difficult for law enforcement and regulatory bodies. They will not only have to pursue traditional criminal smugglers, but also will have to identify, monitor, and pursue legitimate businesses and business people in order to shut down the illegal ivory trade, not to mention the illegal trade online.

Our investigation has highlighted the following findings:

- 1 Hong Kong is a primary transit hub for the movement of illicit ivory into mainland China;
- 2 If you can get ivory into Hong Kong legally and legitimize it (regardless of origin), then you can most likely re-export the ivory to mainland China through legal means;
- 3 Legitimate businesses and business people participate in and facilitate the laundering of illicit ivory through the legal ivory market through such means as 1) importing supposedly pre-ban, antique, and trophy hunting ivory, 2) manipulation of the ivory registration system within China, and 3) trading ivory privately without the required certifications;
- 4 Ivory traders in both Hong Kong and China determine the legality of ivory as a matter of paperwork as opposed to following the letter of the law – even new ivory is legal if the paperwork is in place;
- 5 China's illegal ivory trade continued to expand even following anti-corruption policies and regulations put in place by the Chinese government;
- 6 There are still significant loopholes in China's regulation of the ivory trade even though China has attempted to crack down on wildlife trafficking;
- 7 What appears to be a large quantity of ivory from past and present trophy hunting specimens is in the hands of ivory traders even though all trophy hunting specimens are required to be kept for personal use; legally permitted trophy hunting in Africa is advertised by traffickers as a means to acquire ivory, rhino horn, and other wildlife items;

- 8 Private buyers are important to the legal/illegal ivory market – regulatory requirements for sale of ivory can be bypassed with a private sale;
- 9 A well-known trader and carver in Fuzhou confirmed that the amount of illegal ivory in the hands of ivory stock-holders in China is several times the amount of legal ivory;
- 10 According to our sources, over 1000 metric tons of illegal ivory is being stockpiled in secret locations by investors and traders who, regardless what the Chinese government decides, are still betting on future profits;
- 11 Although completely illegal, rhino horn was present and available for sale in all the locations and at almost all the companies visited by EAL investigators; rhino horn (new or from old specimens) is relatively easy to smuggle into China due to its size and/or enters the market through trophy hunting;
- 12 Rhino horn is still in high demand throughout China with no means to determine the amount of rhino horn entering or stockpiled in China;
- 13 Due to the anti-trafficking efforts by Chinese law enforcement agencies and international pressure, some illegal players appear to be moving further underground or getting out of the ivory business;
- 14 More dealers and private owners are becoming hesitant to sell their ivory if the legality of the transaction is questionable; and
- 15 Traders are actually discussing the possible end of the ivory trade in China.

Most importantly, there is an observed swing toward what could be interpreted as a change in mindset among ivory traders. There is evidence that the social pressure to end the ivory trade from the international community, and now the Chinese government, is mounting and having an effect on the market. Traders are realizing that the future of the ivory market is uncertain, therefore, from a business standpoint, ivory may not be a good investment. In order to continue this pressure, the Chinese government needs persistent evidence of illegal ivory transactions within China, as well as further encouragement and support from the international community to ban the legal ivory market altogether and crackdown on the illegal market.

The Key Role of Transit Countries: Laos & Vietnam

Although the Yunnan Province borders were described as smuggling hot spots, **our investigators found tight controls and a general nervousness when they spoke about ivory in Mohan, China, on the border with Laos.** The Chinese authorities are now more present, aware of wildlife trafficking, and more effectively patrolling the border. Our investigative team was not able to find any evidence of serious trafficking of ivory on the Yunnan side of the border, but were told that in Laos, the wildlife trafficking situation is still out of control.

In early 2015, CITES identified Laos as one of three parties of “importance to watch” based on its role within the global ivory trade.³⁷ Laos has never reported an ivory seizure to the ETIS, but it borders five other countries notorious for wildlife crime; Cambodia, China, Myanmar, Thailand and Vietnam.³⁸ Based on wildlife seizures with direct links to Laos, the country is a primary conduit for wildlife trafficking. Laos is specifically exploited by various organized crime groups for its strategic location and its lack of enforcement of its own CITES responsibilities and national laws.³⁹

38. Ibid.

39. Ibid.

40. EIA, “Vanishing Point: Criminality, Corruption and the Devastation of Tanzania’s Elephants.”

41. Nuwer, “In Vietnam, Rampant Wildlife Smuggling Prompts Little Concern.”

42. Ibid.

Similarly, Vietnam functions as a conduit for “a range of contraband, including electronic waste, wildlife products and illegal timber bound for China.”⁴⁰ Products destined for China are generally moved by road under a customs seal through the border crossing of Mong Cai into the Chinese province of Guangxi. The Vietnam crossing points, like those of Laos, are primarily controlled by organized criminal gangs who bribe corrupt customs and border control officers. This route into China is used by smugglers to take advantage of lax controls and the cluster of criminal brokers based in border towns.⁴¹ Vietnam itself is also a significant consumer of wildlife products, such as rhino horn, primarily for ingredients in traditional medicine. While China has worked to increase its arrests and prosecutions for wildlife crimes, wildlife traffickers in Vietnam or other transit countries almost always escape punishment.⁴²

The bottom line is that China needs to put pressure on Vietnam and Laos to share intelligence, and align and enforce their laws, in order to effectively disrupt this trans-border trafficking.

Ivory on sale in
Mohan, China, on the
border with Laos



Learn more...



Chinese Economics & Ivory Middlemen:

Ivory obsession

The Chinese have long held elephant ivory in very high esteem and until the latter part of the 20th century this interest had minimal impact on actual elephant populations. Ivory was largely unavailable or unaffordable to the very vast majority of Chinese up to this point and had, to a certain degree, fallen out of fashion amongst those who could afford this luxury commodity. In the 1970s, 1980s, and 1990s, China gradually began presenting itself more visibly to the rest of the world. Political connections created opportunity for Chinese businesses, and suddenly, ivory was back in fashion: intricately carved tusks became the go-to gift to facilitate favors with the politically influential. Conservationists in Africa and international bodies through the Convention on International Trade in Endangered Species of Fauna and Flora (CITES) implemented a ban on the international trade in ivory among CITES-signatory states in 1989. This international trade ban had the intended effect of slowing the rate of elephant poaching, at least for a little while. However, it was only *after* the CITES ban in 1989 when the Chinese really began to influence elephant poaching rates with an influx of ivory illegally trafficked to shops in Beijing.

Moving into the early 2000s, the burgeoning Chinese upper and middle classes began to have a bigger impact on many goods worldwide including ivory. Relatively speaking, suddenly tens of millions of people had substantially more disposable income. Ivory had historically been viewed as

largely unobtainable to the Chinese masses, but was now viewed as a status symbol and representative of 'having arrived.' The new Chinese middle class and nouveau riche wanted ivory, which resulted in catastrophic consequences for elephant populations in Africa (and Asia) over the next ten to fifteen years.

Stockpiles & stockpiles of lending bubbles

Broadly speaking, the Chinese have a tendency for stockpiling raw materials, such as (among many others) gold, iron ore, soybeans, and copper. Because of the inherent value of raw materials – and ostensibly, the thought that their value would hold steady, if not increase – business owners came to view these raw material stockpiles as leveraging potential for obtaining loans to cheaply finance other business interests. As raw materials became more and more eligible as collateral for cheap loans, businesses purchased even more of these raw materials. This in turn increased prices and businesses deduced that they could profit simply by holding on to the raw materials. Their hoarding behavior led to higher prices, created more hoarding. This is the anatomy of a lending bubble.

In 2008, the Chinese government launched a substantial financial stimulus in response to the worldwide financial crisis. The message encouraged the Chinese population to spend – “don't worry, keep spending.” Luxury goods consumption, which would otherwise have likely cratered,

did not decline as a result of this message. Another consequence of this stimulus program in China was that already lax lending standards became even more lenient and fraught with potential danger. China's lending model is now grinding to a halt. The Chinese economy is in shambles and they are facing a serious problem. The Chinese super-rich are moving money out of China in anticipation of total economic collapse. The tendency to leverage and loan has resulted in the bursting of a very large bubble.

Sound familiar?

As applied to ivory, this lending model is very relevant. Based on cultural tendencies, it is safe to assume that ivory carving factories, retail stores, and even illegal traffickers have borrowed hard against their inventories. Ivory traffickers – middlemen – have stockpiles of the commodity in excess of consumer demand. Despite stalling or possibly even decreasing demand from the end consumer, the traffickers kept purchasing the commodity, which drove the value of ivory through the roof, which resulted in more stockpiling. This in turn perpetuated the alarming rates of elephant poaching experienced over the last several years in elephant range areas in Africa.

In 2012, Chinese President Xi Jinping instituted the 'Anti-Conspicuous Consumption Order,' a crackdown against conspicuous consumption – flouting of expensive boats, cars, etc. – on the wealthy elite in response to

a Deadly Combination for Elephants



Ivory on sale in Beijing

the ivory trade in the near future as applied to the context of each country.⁴

If China – comfortably the world’s largest consumer of ivory – is to make a meaningful impact on a legislative level addressing the influence the country has on current levels of elephant poaching and ivory trafficking, its domestic ivory trade should be shut down. They must close the regulatory loopholes and end the existing administrative weaknesses that facilitate a booming illegal and wholly unsustainable trade. Anything less – these one-year bans as prime examples – is merely window dressing. The various interest groups must maintain the pressure that has led to these minor breakthroughs because the tide may very well be turning.

a slowly bubbling class tension developing in China. Despite this crackdown, prices and demand for ivory did not go down and the middlemen and their stockpiles of ivory are the reason for this. Experts fear that the middlemen are banking on the fact that consumer demand and the value of ivory will remain stable or continue to increase. Some have suggested that the traffickers are banking on the imminent extinction of the elephant to really cash-in over the long run.

Many involved illegally in the ivory business in China will try to take advantage of the destruction of legal, state-sponsored, confiscated ivory stockpiles, and even benefit from subsequent price support¹ as the potential available legal supply – competition – is eradicated. Illegal stockpiles only become more valuable in the process. The most effective, if not viable, solution in China is to impose an immediate and total ban on the legal trade,

thus eradicating the gray area in the system that exploits regulatory loopholes. Illegal ivory stockpilers would be left with literally tons of a devalued, and what would then become a very clearly illegal, commodity. They would be ruined and in theory, elephant poaching would decrease dramatically with nobody driving the commodity’s value chain.

The regs they are a-changin’

While notable results have been garnered from the ivory demand reduction efforts undertaken over the last few years, China’s recent announcements regarding the internal legal ivory trade do not have enough long-term bite. In February 2015, China imposed a one-year ban on the import of ivory carvings.² In October of 2015, China banned the import of hunting trophies acquired in Africa for one year.³ In a bilateral show of action, the United States and China agreed to a nearly complete ban of

1. <http://www.telegraph.co.uk/news/worldnews/asia/china/10628900/Beijings-elephant-graveyard-how-China-still-drives-world-ivory-market.html>

2. http://www.nytimes.com/2015/02/27/world/asia/china-bans-import-of-ivory-carvings-for-one-year.html?_r=0

3. <http://www.reuters.com/article/2015/10/15/us-china-ivory-idUSKCN0S90BB20151015#lxpVGFIRlu2fFqCv.97>

<http://news.nationalgeographic.com/2015/09/150925-ivory-elephants-us-china-obama-xi-poaching/>

Future Considerations

China is moving in a positive direction toward a total, or near total, ban on the domestic legal ivory trade, which would also have profound implications for the illegal ivory market. China and the United States have committed to working together to enact “nearly complete bans” on the import and export of ivory, as well as take steps to end the domestic ivory trades. EAL expects that China will make a decision on banning (fully or partially) its domestic ivory trade by the end of 2016. This decision, however, hinges largely on how to handle the legal and illegal stores of ivory currently held within China.

Decision-makers will have to carefully consider the following:

- What will be done with legal stockpiles and legal inventory held by licensed traders? Should the ivory be destroyed?
- If or how will licensed traders be compensated for surrendering their legal ivory stocks?
- If or how can holders of illicit ivory be incentivized to surrender their ivory stocks? Could a guarantee of no prosecution be an incentive? Should holders of illegal ivory be compensated for surrendered ivory stocks?
- What will be the consequences of a near-total ban of the domestic legal ivory trade?
 - The illegal ivory market could become completely “dark,” move underground, and evolve to function again without the cover of the legal trade.
 - Large illegal ivory stockpiles may be kept for future use or sale on the black market.
 - What role will other consumer destinations (Japan, Taiwan) and transit countries play?
 - What will happen with other wildlife products like rhino horn? Will these other products receive less attention by the Chinese authorities? Will traders shift or invest more into other highly lucrative products? What will those products be?
 - What will happen to stockpiles of ivory in African countries? The countries holding stockpiles will instantly lose any potential market value.

More importantly, can China, including Hong Kong, other Asian countries, and African countries work collaboratively to end the illegal ivory trade and end the catastrophic poaching of elephants?

The international community must continue with this “gentle but firm” push for China to end its domestic ivory trade, as well as work to end the illegal ivory trade, by presenting findings like this report. We do want to express our appreciation to the Chinese government for its agreement to work toward closing down the domestic ivory trade, heightening efforts to reduce both the legal and illegal ivory markets, continuing efforts to reduce demand, and pledging to help solve the elephant poaching crisis. EAL encourages the Chinese government to announce a ban of the legal ivory market soon and implement further measures to crackdown on the illegal ivory trade.

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RELEASING OF THE UNDERCOVER FOOTAGE

The undercover videos obtained from this investigation will be publicly shared following the premiere of the documentary 'Ivory' in September 2016.

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