

Making a Killing



A

2011

**Survey of
Ivory Markets
in China**

Acknowledgement

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Ensure a future for elephants and people

The International Fund for Animal Welfare (IFAW) works to improve the welfare of wild and domestic animals throughout the world by reducing commercial exploitation of animals, protecting wildlife habitats, and assisting animals in distress. We seek to motivate the public to prevent cruelty to animals and to promote animal welfare and conservation policies that advance the well-being of both animals and people.

IFAW supports the restoration and protection of the ecosystems and safe corridors elephant populations need to survive and thrive. We work hand in hand with local communities to mitigate human-elephant conflict and enable people and wildlife to live in harmony. From training law enforcement officials in anti-poaching and anti-smuggling techniques, to educating consumers that every piece of ivory comes from a dead elephant, IFAW addresses each link in the ivory trade chain.

Elephants face increasing threats from habitat loss and fragmentation, conflict with human communities, and poaching to supply the global demand for ivory. IFAW strives to reverse these alarming trends to ensure that there will always be a place for elephants.

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An unprecedented surge in ivory seizures occurred in 2011. Media reported that 5,259 elephant tusks were seized worldwide in that year alone, representing the lives of at least 2,629 elephants. In spite of the government's efforts to regulate the ivory trade, China continues to be the world's main recipient of smuggled ivory.

In 2004 China introduced an ivory product registration and certification system to control the domestic ivory market and to meet the conditions required by the Convention on International Trade in Endangered Species of Fauna and Flora (CITES) for the purchase of stockpiled ivory from some African countries. In July 2008, the CITES Standing Committee approved of China as a trading partner for the second so-called "one-off" sale of ivory from Botswana, Namibia, South Africa and Zimbabwe.¹

IFAW has been investigating ivory markets in Asia for the past ten years. Recently we initiated our fifth survey of ivory markets in China. This survey was

conducted two and half years after the 62 tonnes of ivory China bought at the CITES-approved sale were officially imported in March 2009.

The survey was conducted by local experts

who both visited physical markets and monitored online marketplaces. The physical market visits were conducted in September and October 2011 in five cities along the eastern seaboard of China. Online marketplaces were monitored for one week in January 2012.

In general, the survey found widespread abuse of the ivory trade control system. It became clear that illegal ivory, once smuggled to the country can be laundered freely through the legal market. The legal trade is

sustaining and perpetuating a rising demand for elephant ivory.

China's ivory registration and certification system stipulates that only government-approved ivory processing and retail outlets are allowed to engage in ivory trade. Since the introduction of the ivory control system in 2004, the government had, by November 2011, approved a total of 172 processing factories and retail outlets.

Licensed ivory facilities were specifically selected from a government-approved list which is published online. While visiting these licensed facilities in five coastal cities in China, the survey team (made up of Chinese-speaking investigators) found nearly twice as many unlicensed ivory dealers in the same and nearby shopping areas. Of the 158 ivory carving and retail outlets visited in the month-long survey, only 57 were licensed: 101 were unlicensed and operating illegally. Together, these legal and illegal outlets make available for sale thousands of pieces of ivory.

In addition, illegal ivory trade activities were taking place in legal facilities. Among the licensed facilities, 59.6 percent (34/57) were found to violate the system in some way to launder illegal ivory. Taken together, the unlicensed and non-compliant ivory facilities outnumbered legal ones – nearly six to one (135/23).

The most common form of violation found in licensed retail shops was with the use of "the government-issued ivory identification card."

The ivory product registration system requires retailers to apply to the government for an identification card for each piece of ivory on sale. Each identification card must bear a photographic image of the product, except for products that weigh less than 50g. However, the survey found that 20 of 32 licensed retail shops did not have identification cards matching the ivory products. In 14 of the licensed shops, vendors discouraged customers from taking the identification cards that corresponded to the ivory item purchased. In this way, a card could be used repeatedly to represent numerous items, giving the impression of legality to illegal

ivory. Some retailers even sold identification cards to unlicensed traders to help launder illegal ivory.

The Chinese government has banned all online ivory trade. As a result of some of the largest Chinese e-commerce websites, (such as Taobao.com) incorporating an ivory trade ban into their policies, illegal online ivory trade is shifting to collection and auction websites. Of the 17,847 ivory listings (found in the online survey in January 2012), 97 percent were found on specialty websites promoting ivory products as collectibles, antiques and investments.

Faced with meager returns in traditional investment vehicles such as stocks and real estate, Chinese investors are plowing money into art-based markets, which include paintings, porcelain, jade, mahogany furniture and carvings from rhino horn and elephant ivory. Elephant ivory products are increasingly pursued and coveted as "white gold" by Chinese collectors

and investors, who see ivory products fetching astronomical prices at auction.² The total number of ivory items auctioned on record in mainland China in 2011 has more than doubled from a year ago and total sale volume has increased by 170 percent from 2010.³ The perceived value of ivory as investment has become the new driver of the strong demand for ivory products in China's



Rhino horn and ivory pieces in an auction catalog.

domestic market: The wholesale price of ivory has tripled since 2006.

In addition to identifying the social and economic forces that influence the insatiable demand for elephant ivory in China, for the first time, the survey also shines a spotlight on the currency fluctuations between the Chinese Yuan and the US Dollar which have made illegal ivory trade much more lucrative.

The strength of the Chinese Yuan (RMB) against

the USD makes it more favorable for Chinese to purchase ivory in USDs. In the past six years, rising demand has tripled the wholesale price of ivory in the Chinese market. The escalating price has made it more attractive for illegal traders to engage in ivory smuggling operations. In the overseas markets where illegal ivory is sourced, the strengthened RMB provides more purchasing power for Chinese buyers who convert RMB to USD for ivory purchases. The illegally obtained ivory, when successfully smuggled into China and sold under the cover of the legal market, can bring huge profits.

Proponents of legal sales of ivory argue that saturating the market with legal ivory could reduce ivory prices and stem illegal trade, thereby reduce poaching. However, the facts showed that the exact opposite has occurred: The repeated ivory stockpile sales have failed to reduce ivory prices and control illegal trade. The influx of 'legal' ivory further challenges market control and enforcement efforts, providing loopholes for smuggled ivory to be freely traded under the cover of legal domestic markets.

The sale approved by CITES in 2008 spurred production and trade of ivory products in China and stimulated the demand for ivory from a growing class of wealthy consumers that covets ivory products as collectables and investment vehicles.

While rising demand drives up ivory prices, the strengthened Chinese currency makes it much cheaper to buy ivory overseas and sell it in China. Motivated by high profit margins and low risk of detection, many ivory traders see a golden opportunity to make a killing in the black market. Escalating ivory prices and the rising demand in China, combined with an uncontrollable legal ivory market which provides cover for illegal trade, makes a lethal combination that is decimating wild elephant populations.



¹ CITES SC58 Doc. 36.3 (Rev. 1)

² 游资涌进象牙收藏市场 一件牙雕最低估价500万 Investment pours into ivory collection market, one ivory carving priced at 5 million <http://money.tcf.com/cfsc/2011-05-05/0747,145628.html>

³ 何去何从的犀角象牙雕刻拍卖 Where is auction of rhino horn and elephant ivory going? <http://collection.chinaluxus.com/CIn/20120318/143970.html>

II Introduction

Following two decades of elephant poaching that more than halved the population of elephants in Africa, the Parties to CITES (Convention on International Trade in Endangered Species of Fauna and Flora) decided in 1989 to list all African elephants on Appendix I, which effectively banned the international commercial trade in elephant ivory.

The ivory trade ban of 1989 was short-lived. CITES member countries at the 1997 Conference of the

Parties (CoP10) approved proposals to down-list elephant populations in certain southern African countries and to allow a “one-off” ivory stockpile sale. In 1999, Japan purchased 49.57 metric tonnes of ivory from that sale from Botswana, Namibia and Zimbabwe.



South Africa's ivory stockpile, which was sold to Japan and China in 2008.

In 2007, CITES approved another stockpile sale and allowed China to join Japan as an ivory trading partner. At an auction in the subsequent year, a total of 108 metric tonnes of ivory from South Africa, Zimbabwe, Namibia and Botswana were sold to China and Japan.

Since those stockpile sales there has been a dramatic decline in some populations of wild elephants in Africa. Over the past 10 years, elephant range countries in Africa have seen an escalation of elephant poaching, mainly to supply the ivory trade. The poaching problem is particularly rampant in Central

Africa. Large-scale poaching reduced elephant populations in Chad's Zakouma National Park from 3,800 in 2006 to just over 600 in 2009.⁴ In 2011, Kenya lost 278 elephants to poachers, compared to 177 in the previous year.⁵ Across much of the African continent, depleted elephant populations that had begun to recover from their low points of three decades ago, are declining again.

Along with the increase in elephant poaching there has been an increase in ivory seizures around the world. According to TRAFFIC, 2011 saw a record number of large ivory seizures globally, presumably reflecting a sharp rise in illegal ivory trade underway since 2007.⁶ The report states that at least 13 large-scale seizures, each more than 800kg in weight, took place in 2011 alone, compared to 16 in the previous four years (2007-2010) combined. A TRAFFIC press release stated that “A conservative estimate of the weight of ivory seized in the 13 largest seizures in

2011 puts the figure at more than 23 tonnes – a figure that probably represents some 2,500 elephants, possibly more.”⁷

The escalation in elephant poaching in Africa and the increase in large seizures of elephant ivory around the world reflect the rising demand in Asia. Data from the Elephant Trade Information System



Illegal ivory that was confiscated in Singapore and returned to Kenya.

(ETIS) show a substantial increase over the past 10 years in illicit ivory that moves from Africa to East Asia “which almost exclusively represents the market in China, including Hong Kong SAR and Macao SAR.”⁸ It concludes that “China has surpassed Japan as the world's largest consumer market for illegal ivory products, and that countries like Malaysia, the Philippines and Vietnam are transit points on the ivory trade route to China.”⁹

Historically, China has been a significant destination for illicit trade in ivory. The Chinese market was identified in a CITES report as the single most important influence on the increasing trend in illegal



Ivory products for sale in China.

trade in ivory since 1995.¹⁰ After CITES banned the international commercial trade of elephant ivory in 1989, uncertainty about a sustained supply of legal elephant ivory caused carvers increasingly to turn to carving bone and ivory from mammoth, an extinct species (*Mammuthus primigenius*) that is legally imported.¹¹ In recent years, 60 tonnes of mammoth tusks have been exported annually from Russia, mostly to China.¹²

Ivory carvings have long been coveted as a status symbol by the Chinese and were previously the purview of the privileged few. The dramatic increase in consumer power among the Chinese, combined with the cultural interest in defining status, is driving an exponential rise in the consumption of luxury products such as elephant ivory.

According to an IFAW-commissioned public opinion poll in 2007, the major consuming group for ivory is also the group that has the most buying power in China. This class of consumers, well-educated adults

between the ages of 26-45 with steady income, tends the most to buy ivory in order to demonstrate its privileged social and collector status.¹³

As China, already a key economic partner in Africa, increases its investments on the continent, an increasing number of Chinese nationals (workers, businessmen and visitors) are reaching every corner of Africa – and a rising number of Chinese nationals are implicated in illicit ivory trade.

Improved transportation infrastructure makes it more efficient than ever to move people and goods among countries and continents. By land, air and sea, the markets in Asia are connected more than ever with Africa. According to the China CITES Management Authority, China Customs interceded in 933 wildlife

smuggling cases in various ports across China in 2010. Ivory made up 73 percent of the seized contraband.¹⁴

The illegal trade in wildlife and ivory is also aided by the advent and spread of Internet technology. An IFAW survey conducted in 11 countries worldwide in 2008 found that more than 70 percent of the wildlife products sold online were elephant ivory products.¹⁵

By the end of 2011, China's online population surpassed 500 million and made it the world's largest online population.¹⁶ Despite ivory trade bans from some of China's largest online marketplaces, such



Ivory products for sale in China.

⁴ Douglas-Hamilton, I, The current elephant poaching trend, *Pachyderm* No. 45, July 2008-June 2009

⁵ http://www.kws.org/info/news/2012/21_feb_2011_elephant.html

⁶ SC 61 TRAFFIC MIKE-ETIS Report Doc. 44.2

⁷ 2011: “Annus horribilis” for African Elephants, TRAFFIC press release December 29, 2011

⁸ See supra note

⁹ Id.

¹⁰ CITES Secretariat Technical Mission Report: Verification mission related to the control of internal trade in ivory in China 7-11 March 2005, SC53 Doc. 20.1 Annex

¹¹ Martin E. and Vigne, L, The Ivory Dynasty: A report on the soaring demand for elephant and mammoth ivory in southern China, 2011

¹² Martin, E. and Martin, C. Russia's mammoth ivory industry expands: what effect on elephants? *Pachyderm*, No.47 (2010)

¹³ IFAW Public Opinion Poll on Elephant and Ivory Trade, Horizon Research Consultancy Group, 2007

¹⁴ CNMA report, Analysis of wildlife smuggling cases in 2010

¹⁵ IFAW report, Killing with Keystrokes, 2008

¹⁶ <http://chinadigitaltimes.net/2011/09/chinas-online-population-passes-500-million/>

as Taobao.com and Alibaba.com, large volumes of elephant ivory products continue to be illegally traded online. This occurs on specialty websites and forums under false names and code words that traders devise to evade website detection and enforcement.

Elephant ivory products are increasingly promoted for their perceived investment value by collection websites, auction houses, arts and crafts and other specialty purveyors. Shrinking returns on traditional investments such as stocks and real estate are driving Chinese investors to buy elephant ivory, rhino horns and tiger-bone wine. These are new asset classes based on ancient Chinese traditions and the increasing rarity of certain wildlife species.¹⁷ According to an auction newsletter, 11,100 ivory pieces were reportedly auctioned in mainland China in 2011 for a total sales volume of \$95.4 million USD, an increase of 107

percent and 170 percent respectively from 2010.¹⁸

China Central Television reported that ivory products, which formerly appealed only to collectors, are being sought by regular investors as “white gold.” A spokesman for a collection association asserts on a CCTV program that the price of ivory collectables is increasing by 30 percent a year, yet ivory products still cannot meet the strong market demand. Once they come onto the auction market, they are snatched up instantly.¹⁹

In the context of these social, cultural and economic dynamics in China, IFAW sought to review the implementation of China’s ivory product registration system and to better understand the impacts of the 2008 ivory stockpile sale on the ivory markets in China.



¹⁷ Wall Street Journal, January 30, 2012, Forget Stock – Chinese Turn Bullish on Booze and Caterpillar Fungus.

¹⁸ 何去何从的犀角象牙雕刻拍卖 <http://collection.chinaluxus.com/CIn/20120318/143970.html>

¹⁹ CCTV2, Economy and Commerce Channel, “Ivory price soars, coveted as ‘white gold’” May 14, 2011, 象牙雕藏品价格翻倍堪称白金 <http://video.sina.com.cn/p/finance/20110514/222661340339.html>

III Survey Methods

During September and October, 2011, IFAW investigators selected 57 ivory facilities licensed by China’s State Forestry Administration (SFA) to visit in Beijing, Shanghai, Guangzhou, Fuzhou and Putian (the latter two in Fujian Province).

While visiting these licensed facilities, investigators learned of and visited 101 unlicensed facilities as well. In total, the survey included 158 ivory trade facilities, including two carving factories and 156 retail outlets. The two carving factories were located in Guangzhou and Fuzhou. The retail ivory shops were located in

antique malls, markets and major hotels.

Under cover of procuring ivory gifts for companies, the Chinese-speaking investigators engaged in conversations with traders and owners of facilities to gather as much information as possible. When the ivory traders were unsuspecting



Ivory displayed in shops in China.

and willing to talk, the investigators also took photos.

The following list (see next page) describes the key information that was sought from ivory traders in these interviews and from observations of the shops. Depending on the level of cooperation from the traders, the sequence of the questions and the frequency in which they were asked varied.

IFAW has monitored the ivory markets in China, on a regular basis over the past decade. This physical market survey was conducted by Chinese investigators with experience monitoring the ivory trade and identifying

elephant ivory by sight. The detailed findings from the survey of the physical market were submitted in Chinese language to China’s wildlife management and enforcement authorities in November 2011.

The price data gathered varied widely. Prices on the lower end of the range were used in this study. To be consistent, prices on the low end of the range were used when comparing with those collected from previous market surveys in 2006 and 2009.

IFAW started monitoring online wildlife trade in China in 2005 and has compiled comprehensive data on trends, methods and websites involved in wildlife trade. In January 2012, IFAW conducted a one-week spot check of online marketplaces specifically for illegal ivory trade. Using key-word searches and code words traders use to evade detection the survey covered 13 websites that were previously identified to have a large number of illegal wildlife listings. The websites included collection and auction sites, e-commerce platforms and online forums.



Ivory products for sale in China.

Information Gathered in the Survey

1. Size of the ivory operation: number of pieces available for sale, types of products, antique ivory or contemporary stock and staffing levels.
2. Legality of the operation: availability of licenses, ivory identification cards, posters and brochures warning against illegal trade and smuggling.
3. Types of identification (ID) cards used: whether dated prior to the 2008 ivory import or after, and whether the card description and the photograph matched the item with which it was presented.
4. Retail prices of common ivory products, i.e., statues, brush pots, bracelets, etc.
5. Change in prices of raw ivory and worked products, if any.
6. Source of raw ivory.
7. Procedures for placing a large order.
8. Specific questions at retail outlets:
 - a) The overall market condition for ivory and current consumer profiles.
 - b) Knowledge of law, ivory regulatory system and import/export requirements.
9. Specific questions at ivory carving factories:
 - a) Location, size, source and availability of raw ivory.
 - b) Number of staff and carvers working at the factory.
 - c) Whether it could fill direct purchase orders. If so, whether it could provide ID cards; how to place an order; delivery methods, etc.
 - d) Length of time a retail outlet has been in business.
10. Availability of ivory and other wildlife tooth products: e.g., mammoth, walrus, hippopotamus imported from a non-African country such as Japan, EU or USA.



IV Ivory Product Registration System

To meet CITES requirements to become a trading partner for the 2008 ivory stockpile sale, China's State Forestry Administration (SFA) launched the ivory product registration system in May 2004.^{20 21} Two key requirements in the registration system are the licensing of ivory facilities and identification cards for each piece of ivory sold.

The registration system requires each carving factory and retail outlet to apply for its respective license for processing or trading in elephant ivory. Those

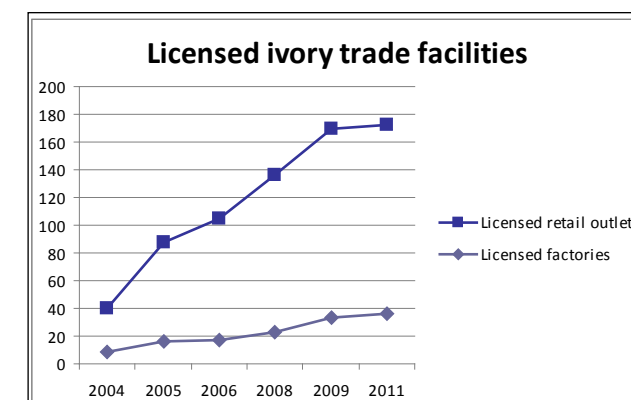


Certificates of registration for ivory retail outlets and carving factories.

that are licensed receive a Certificate of Registration designating it as a carving factory or retail outlet. The Certificates of Registration are issued by SFA and the State Administration for Industry and Commerce (SAIC).

The certificates are required to be displayed at the location of the operation. The names and locations of the licensed facilities are contained in a series of lists published by the SFA. Since 2004, SFA has issued updated approval lists seven times. By the end of 2011, 36 carving factories and 136 retail outlets around the country had received SFA-issued certificates to trade in elephant ivory.

*The registration system requires each ivory item displayed, exhibited or issued an export permit to be accompanied by its own identification card. According to the SFA notification, "one ivory product one identification card; each ivory product is inseparable from its own identification card."*²²



The "Ivory Product Identification Card" comes in standard and simplified forms. The standard card requires a photograph of the ivory product, and pertains to items weighing more than 50g and that have "artistic and market value." The simplified card is for items under 50g and does not require a photograph.²³

After China received the new stock of ivory from the 2008 one-off sale, a new type of identification card was introduced. This one was meant to identify ivory products made from the legal stockpile import. Each card carries the words, "This ivory carving is made of raw ivory imported from Africa in 2008 and has been registered. It can be traded and used within P.R. China only if accompanied with the certificate and the special mark. Export is prohibited."



Front and back of the standard (left) and simplified (right) Ivory Product Identification Card.

The ivory product registration system requires each carving factory and wholesaler to mark the

²⁰ SFA Notice Regarding Ivory Processing Factories (2004) #85

²¹ SFA Notice China Wildlife Utilization Marking System (January 31, 2005)

²² <http://www.forestry.gov.cn/portal/zrbh/s/1492/content-456739.html>

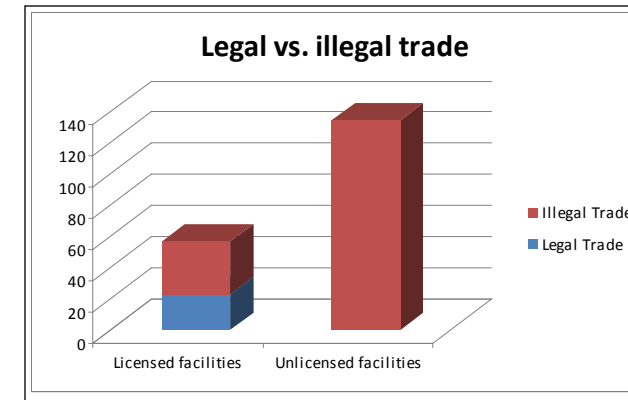
²³ SFA Classification Criteria of ivory collection certificate, 2005

identification cards accompanying all of the ivory products carved or sold from that facility with a unique alphabetic code. Each factory or wholesaler can serve multiple retail outlets with ivory products carrying its code. Legal ivory can only be sold at specified licensed retail outlets. Carving factories are not allowed to engage in direct sales of their ivory products.

To ensure that China's share of the 2008 ivory stockpile sale would last for at least ten years, SFA indicated in a 2008 circular that "5 tons of ivory per year is allowed into the market."²⁴ With 36 ivory carving factories licensed by the government, according to the 2001 SFA list, each could have a ration of 138kg of legal ivory per year.



Each ivory product for sale, display or for export requires a corresponding ID card.



Illegal ivory trade in both licensed and unlicensed facilities (in red) outnumbers legal trade (in blue) nearly six to one in the areas surveyed by IFAW.

has officially received a license. While the license legitimizes the factory for processing and trading ivory China purchased in 2008, the factory was found in this survey to violate regulations in several ways. The owner explained to investigators the methods employed to circumvent the system in order to sell ivory products from illegal sources. Products produced from smuggled ivory do not carry any identification that can be traced back to the factory. This protects the factory's license, which the owner said cost him more than one million Yuan (US\$158,000) to obtain. The factory owner in Fujian complained that the 120kg government ration would only last two months in his factory. To generate enough profit to keep the factory in operation year-round, the owner insisted that it had to carve smuggled ivory.

2b Licensed carving factories engage in direct sales

As required by the ivory product registration system, ivory carving factories can only provide ivory products to retail outlets for sale. They are not allowed to engage in direct sales. However, both the factories visited for the survey agreed to fill purchase orders from the investigators. Both factories have exhibition centers where the ivory products on display were also for sale.

3 Ivory trade without identification cards

The most common form of violation of the ivory product registration system in licensed retail outlets was the separation of ivory products from their identification cards. Among the 34 licensed facilities investigators found to be conducting illegal trade, two were carving factories and 32 were retail outlets. Twenty of these 32 outlets (62.5 percent) did not display identification

cards for most of the ivory products in the store. When asked for the ID card, salespersons in 14 outlets (43.7 percent of the retail shops) actively dissuaded the potential buyer from obtaining it, claiming that "it takes as long as a year to get an ID card," "it costs money to get the ID card," and "the ivory product costs more if it comes with the ID card." Some blatantly admitted that "the ID card is for display only in order to evade inspection," and that "ID cards are sold to unlicensed ivory shops as cover for the sale of illegal ivory." Some salespersons told potential customers there was no need to request an ID card because the only use for an ID card is to prove that the product is made of genuine ivory.

4 Methods used to circumvent the ivory regulatory system

Salespersons in most of the illegal shops in this survey knew about the ivory product registration system and the law. Posters and brochures issued by the SFA warning against illegal ivory trade were prominently displayed in many of the shops where illegal trade took place. Traders practiced a variety of methods to circumvent the ivory product registration system. Some used mammoth ivory to disguise illegal elephant



Illegal ivory traders operate beneath a poster warning against illegal ivory trade in a Beijing antique mall.

V Survey Findings

1 Retail outlets operate without license

Of a total of 158 retail shops and carving factories visited in this study, 101 of them were not licensed. Only 57 were licensed by the government, representing a compliance rate of just 36 percent. Nearly two-thirds of the ivory

City	Licensed Facilities	Licensed Facilities with Illegal Activities	Unlicensed Facilities	Total
Beijing	32	22	66	98
Fuzhou and Putian	3	3	16	19
Guangzhou	14	7	10	24
Shanghai	8	2	9	17
Total	57	34	101	158

Ivory trade facilities visited in 2011.

facilities visited did not display a Certificate of Registration and were not on the list of SFA-approved facilities, thus were completely illegal.

2 Illegal activities by licensed facilities

Among the licensed facilities, 59.6 percent (34 of 57) were found to violate the system in some way. Violations included misuses of ivory identification cards, selling ivory without a retail license and using the "legal" status as a cover for trade in smuggled ivory. *Illegal trade in the total number of licensed and unlicensed facilities investigated in this survey (135) outnumbered legal trade (23) nearly six to one.*

2a Licensed carving factories process illegally sourced ivory

One of the two carving factories visited was newly licensed after China received ivory from the stockpile sale. The Guangzhou factory, repeatedly implicated in illegal ivory trade by NGOs prior to 2008,²⁵ now

²⁴ SFA Control and Management of Ivory and Ivory Products (2008)

²⁵ <http://www.ens-newswire.com/ens/mar2004/2004-03-15-01.asp>

ivory. Since the mammoth is an extinct species, its ivory can be legally imported from Russia. Some shops sold mammoth ivory as a cover to evade inspection. Twenty-one of the shops visited, including five with licenses, sold both mammoth and elephant ivory, though some mainly sold mammoth ivory. Some shops did not separately label the two types of ivory; some called both “elephant teeth” (Chinese word for elephant ivory); some mixed them together and some displayed only mammoth ivory and took elephant ivory from under the counter only upon request. Some of the new ivory was made to look old and was displayed as “antique” to justify a higher price. These evasive methods confuse consumers and create difficulties for law enforcement.

5 Beijing is a hotspot for illegal ivory trade

Among the four major cities in the survey, Beijing stood out as a hotspot for illegal ivory trade. A total of 98 shops were visited in Beijing, of which only 32 were licensed. Among the 32 licensed shops, 22 were found to violate the system. *The illegal shops in Beijing represented 65.2 percent (88/135) of all the facilities investigators found to be engaged in illegal ivory trade.* Several new ivory markets were established in and around the city after 2009 when the last survey was conducted by IFAW. While visiting one retail outlet on the SFA-approved list in a suburban antique mall, investigators found 21 other shops in the same mall that sold ivory completely illegally. In addition to a large number of small ivory products such as bracelets, necklaces, chopsticks and brush holders, the investigators also found many rhino horn carvings.

6 Smuggling methods and sources of illegal ivory

Thirteen retail outlets, including two licensed shops, claimed that some of the ivory they sold came directly from overseas rather than from domestic carving factories. Some items were brought to China by travelers and some were shipped home from Africa by Chinese nationals. Some of the carvings were claimed to have been made of Asian elephant ivory and smuggled through Myanmar. One of the illegal shops in the antique mall near Beijing exclusively sold ivory products smuggled from Japan. Some of the illegal retail outlets sold ivory products they claimed to have bought at auctions in Europe and the USA.

7 Lack of sustained oversight of the market

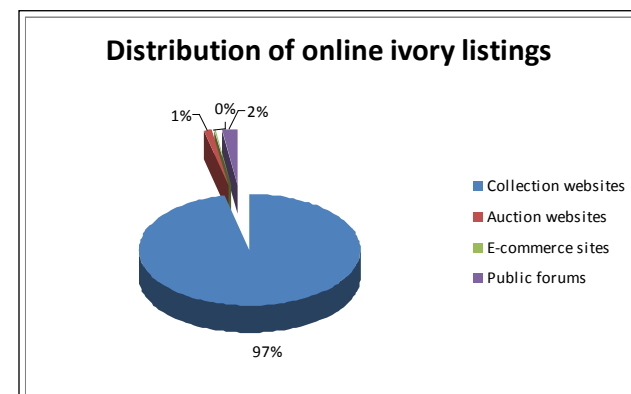
Questions about ivory-related laws and enforcement were also posed to traders during the survey. In

Beijing, ivory sellers claimed they were rarely subjected to inspection by authorities: There might be one market inspection every six months, they said. However, they said markets usually receive a tip-off prior to inspection so sellers have time to hide illegal ivory. No one had yet heard of any seller who had lost illegal ivory to inspections. However, in Fujian, where an ivory smuggling kingpin had been arrested recently, sellers were more cautious. Illegal traders were more hesitant to reveal their ivory to casual inquirers.

8 Online ivory trade on specialty websites

No online shop is approved by the SFA to trade in elephant ivory. All online ivory trade is considered illegal. Yet a one-week monitoring of 13 websites in January 2012 found 17,847 listings of ivory products for sale (see chart below). Among all website types (collection, auction, e-commerce marketplaces and public forums), specialty websites that trade in collectables and antiques contained 97 percent of the illegal ivory listings.

Among the collection websites, China Antique (www.

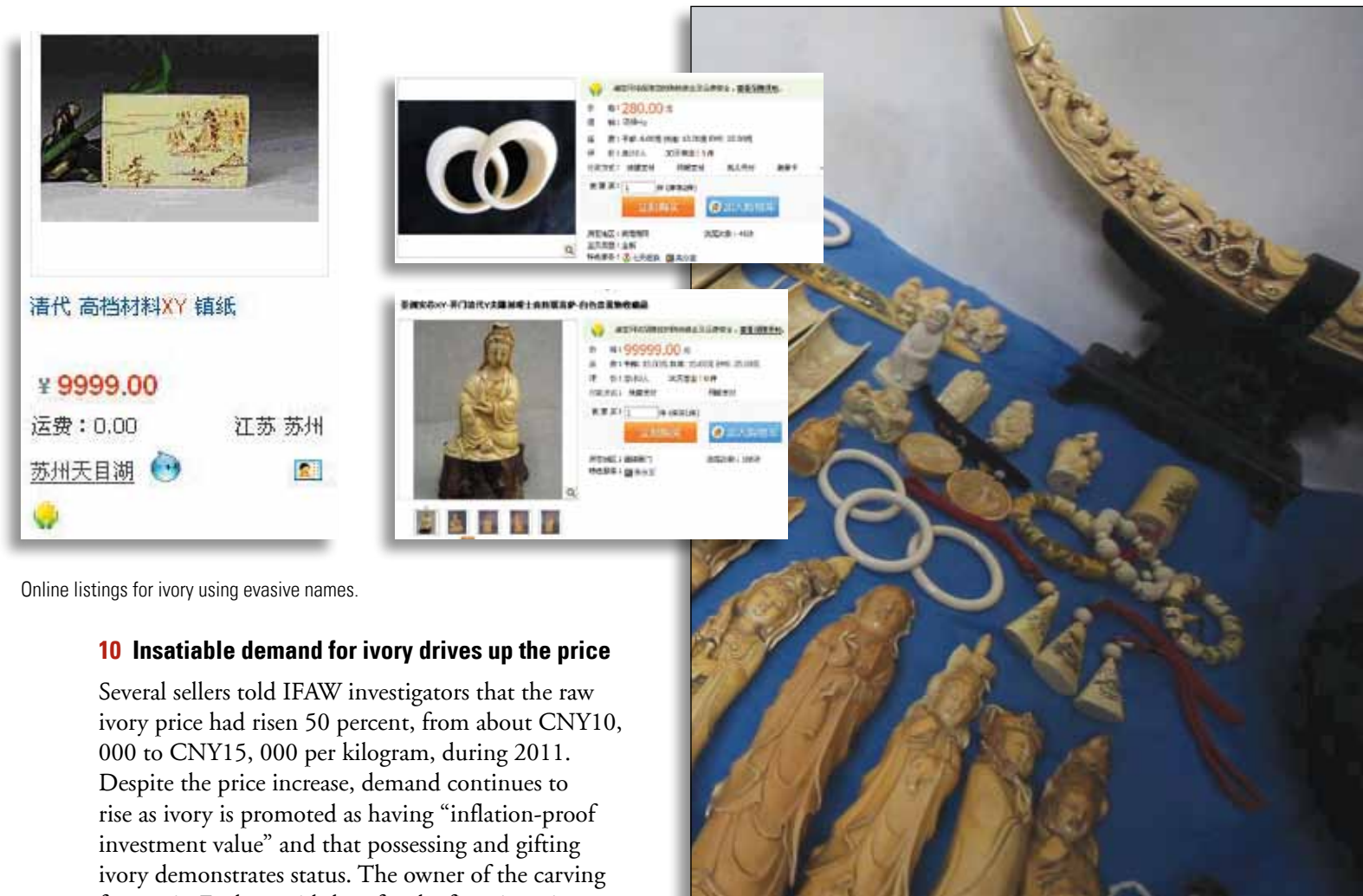


gucn.com) had more than 12,000 illegal listings. One seller based in Nanning in Guangxi province on the border with Vietnam had posted 526 ivory products since the shop registered in September 2010. In addition to ivory, this seller also listed pangolin scale, rhino horn and bear parts for sale. Most of the wildlife products listed had already been sold.

9 Use of code words and false labeling to evade detection

After China’s largest e-commerce websites, Taobao.com and Alibaba.com, banned elephant ivory products from their platforms and set up screens to automatically filter out words for ivory in 2008,

illegal traders began to use false tags and code words to avoid detection. Elephant ivory in Chinese is called “Xiang Ya” meaning elephant tooth. False labels and code words include terms associated with ivory: e.g., “tooth from the largest mammal on land,” “tooth carving,” “XY,” and “old tooth.” Other terms are more obscure such as “patterned tooth,” “full pattern” and “blood tooth.” To avoid illegal ivory listings from being removed by website owners, some sellers used code words that have no resemblance at all to elephant ivory. However, in order to sell the product, the sellers provided detailed pictures to demonstrate that the product was indeed ivory. After identifying the product as genuine ivory, IFAW investigators engaged the sellers in online chats in order to collect evidence and the sellers’ own admissions of illegal trading.



Online listings for ivory using evasive names.

10 Insatiable demand for ivory drives up the price

Several sellers told IFAW investigators that the raw ivory price had risen 50 percent, from about CNY10,000 to CNY15,000 per kilogram, during 2011. Despite the price increase, demand continues to rise as ivory is promoted as having “inflation-proof investment value” and that possessing and gifting ivory demonstrates status. The owner of the carving factory in Fuzhou said that, for the first time since he had been in the business, ivory supply could not meet demand. No matter how many ivory products his factory produces and how high the prices, there are willing buyers who purchase ivory as “white gold.”

According to the traders interviewed in this study, wholesale prices per kilogram of ivory have tripled since 2006. Adjusted for inflation using the China Consumer Price Index (CPI), the wholesale price for ivory increased about 2.75 times from 2006 to 2011.

11 Currency fluctuation boosts Chinese buying power in international markets

During the past six years, the Chinese RMB has strengthened in value against the USD. While the proportionate change in the price of ivory in Chinese Yuan has nearly tripled, the increase is much less in US dollars. The ivory price in USD has increased by a factor of 2.34 (see chart, above). Hence, with a strengthening RMB, purchasing ivory with USD lowered the effective price for traders in

Year	Market price in RMB	CPI adjusted price in RMB	Price in USD\$ adjusted to exchange rate of the year
2006	¥4,500	¥4,500	\$564
2009	¥8,000	¥7,319	\$1,133
2011	¥15,000	¥12,386	\$1,322

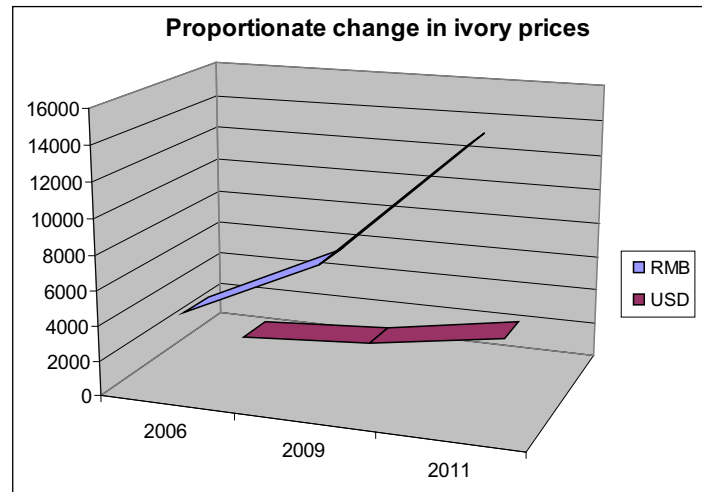
Wholesale ivory price per/kg.

the intermediate goods market. An intermediate goods market is one in which suppliers X and Y sell their products to a common retailer for subsequent distribution to final consumers.

In the Chinese market, rising demand drives up the price of ivory which, in turn, increases the attractiveness of ivory as an asset and store of financial value. The result is that ivory is promoted as an investment. In the overseas market where illegal ivory is sourced, the strengthened Chinese Yuan provides more purchasing power to Chinese buyers who convert RMB to USD for their ivory purchases. For criminals

involved in illegal trade, this means huge profit margins for smuggling ivory into China.

One of the traders at an ivory retail outlet told investigators that the high profit margin has lured eight out of ten former ivory carvers into the raw ivory smuggling business.



VI Enforcement and Education

As a key consumer country, China is under significant pressure to control the illegal trade in elephant ivory. Over the past five years, concerted government efforts and significant progress have been made to implement the ivory product registration system and to raise awareness among key target audiences.

One of the areas in which China has achieved progress is in the control of online wildlife crime. Recognizing the impossibility of regulating ivory trade online, China wildlife management authorities took steps to educate the online industry and to encourage it to incorporate wildlife into policies on online trade. Taobao.com, China's largest consumer-to-consumer online marketplace with 370 million registered users,

banned elephant ivory listings in 2005. Taobao.com followed up on the ban with online education initiatives and by updating of code word filters to effectively detect and eliminate ivory listings.

One of the collection websites, China Collection (www.sc001.com.cn), which was identified in previous online wildlife trade studies as a key platform for illegal ivory, removed the trading section and installed wildlife trade ban notices throughout the site. In this study's January 2011 monitoring, not one wildlife listing was found on its site.

On the initiative of China's CITES Management Authority, an interagency wildlife enforcement task force was formed to share wildlife crime information

	Type	Website	Address	Ivory listings	Internal policy to ban ivory trade (date of ban)
1	Collection	中华古玩网	http://www.gucn.com/	12,508	No
2	Collection	搜艺搜	http://trade.findart.com.cn	4,394	No
3	Collection	翰龙雅集	http://bbs.hl365.net/	216	Yes (9/6/2009)
4	Collection	古艺村收藏网	http://www.guyicun.com	36	Yes (5/30/2011)
5	Collection	博宝艺术品商城	http://shop.artxun.com/	29	Yes (3/3/2011)
6	Collection	文玩天下	http://www.htchi.com/	8	Yes (6/27/2011)
7	Collection	上海文玩	www.feiqu.com	3	Yes (5/29/2011)
8	Collection	中华收藏网	www.sc001.com.cn	0	Yes (4/26/2011)
9	Auction	淘宝网	http://www.taobao.com	202	Yes (2005)
10	Auction	拍拍网	http://www.paipai.com	22	Yes (2005)
11	E-commerce	阿里巴巴中文	http://www.alibaba.com.cn	19	Yes (2009)
12	E-commerce	阿里巴巴国际	http://www.alibaba.com	3	Yes (2009)
13	Public forum	百度象牙贴吧	http://tieba.baidu.com/f?kw= per centCF per centF3 per centD1 per centC0	407	No
Total				17,847	

Websites monitored in the one week spot check, January 2012.

and to facilitate coordinated enforcement actions. Training workshops have been conducted to sensitize government agencies, judiciary officials and the industries that could be conduits for illegal ivory trade.

Improved information exchange and collaboration among government agencies, industries and NGOs have generated some results. Acting on information provided by IFAW, enforcement agencies conducted a targeted crackdown in January 2012 on ivory markets in the cities implicated in this report, resulting in the arrest of 15 suspects and the recovery of 28kg of illegal ivory.²⁶

However, effective enforcement faces many challenges. The illegal ivory trade chain spans China, moves across porous borders under the guise of legally traded products and is aided by improved transportation systems and communication technologies. Ping Xiang, a border town between Vietnam and China, where law enforcement officers seized 707 elephant tusks in April 2011, is a key transit point for illegal ivory. Much of the smuggled ivory is hidden inside hardwood furniture. Many of the former wood traders have now shifted to illegal ivory trade due to its higher profit margins.²⁷ Hundreds and thousands of trucks

²⁶ <http://www.cnwm.org.cn/news.aspx?newsid=731>

²⁷ Beijing News, 非法象牙借道红木家具走私全国 "Illegal ivory smuggled across China hidden in rose wood furniture," February 6, 2012

go through this remote outpost every day, making intensive inspections impossible under current law enforcement staffing conditions. A vast network of illegal traders, all with single names and multiple temporary cell phone numbers can provide as much ivory as a buyer wants and can disappear instantly.²⁸

Power and wealth are implicitly linked in the illegal trade of elephant ivory. Many ivory traffickers possess these traits, as well as political connections. Few ivory smuggling arrests have resulted in prosecution and even fewer in convictions. Most resulted simply in the confiscation of the illegal ivory. Well-connected ivory smugglers pull strings to avoid punishment. In order to convict ivory smugglers under Chinese law, the government must prove the value of the ivory to be at a certain level. According to one prosecutor, while the price of ivory has increased in China, the evaluation price for prosecution purposes has stayed at the level of ten years ago. This has effectively prevented smugglers from getting the maximum sentence.²⁹ Lack of strong law enforcement, combined with low priority for wildlife crime in the legal system, makes ivory trafficking a high-profit and low-risk criminal activity.

The conditions of the ivory “one-off sales” have made it even harder for Chinese consumers and enforcement authorities to understand the rules they need to follow regarding ivory imports and trade. Recently, Zimbabwe, one of the countries allowed to sell its government-owned ivory stockpile to China and Japan, announced it would allow the export of hunting trophies and worked ivory for personal use. The decision at CITES to allow the stockpile sale also

allowed Zimbabwe to trade in ivory carvings for non-commercial purposes, including personal items such as tourist souvenirs. Subsequently, China announced that it would issue permits for the importation of worked ivory such as jewelry, decorative objects, art, utensils, and other items carried in personal luggage as tourist souvenirs from Zimbabwe. Each permit allows one importation of a maximum of five pieces, value and weight not to exceed US\$5,000 and 10kg. Once in the country, these items contribute to the massive amount of ivory already being traded inside China both legally and illegally, further exacerbating the enforcement difficulties faced by Chinese authorities.

To educate Chinese nationals traveling to Africa about the illegal wildlife trade and to warn against the purchase of ivory, government agencies, in partnership with IFAW and other NGOs, have produced brochures, posters and radio programs. These materials are displayed at African embassies in China and at international ports and are broadcast on Chinese language radio outlets in Africa.

Public service announcements (PSAs) produced by NGOs urging consumers to reject elephant ivory are springing up across China. Polls show that seven out of ten Chinese do not know that ivory comes from dead elephants.³⁰ In Chinese, ivory “Xiang Ya”, literally means “elephant tooth.” The “Mom, I have Teeth” PSA produced by IFAW is designed to teach the public that every piece of ivory comes from a dead elephant. The message resonated with the Chinese audience so well that it was adopted into school text books and college entrance exams.



²⁸ Id.

²⁹ Id.

³⁰ IFAW Public Opinion Poll on Elephant and Ivory Trade, Horizon Research Consultancy Group, 2007

VII Conclusions and Recommendations

Conducted in a two-month period, the survey presented here was not meant to be a comprehensive evaluation but a glimpse into the ivory markets in China. The study revealed an increasingly difficult-to-control domestic market and makes it clear that the sale of legal ivory products serves as cover for an extensive and increasingly lucrative illegal market.

The influx of ivory from the 2008 stockpile sale to China has generated a substantial increase in the number of factories and retail outlets licensed to trade ivory. The expanded legal market has given some ivory carving and retail enterprises the opportunity to violate the law under the cover of “legality,” further stimulating demand. *A growing number of illegal ivory trade facilities are springing up to fill the demand gap left by the limited amount of legally imported ivory. In fact, to meet the rising demand, large numbers of licensed facilities are white-washing ivory illegally smuggled into China.*

While welcoming the government decision to “not approve any new ivory carving factories in principle” and to make the license approval process more stringent,³¹ IFAW encourages China to more rigorously enforce laws and regulations in order to reduce the black market trade in ivory, which exists not only in illegal unlicensed facilities but in more than half the licensed facilities investigated in this survey.

The ivory product registration system is widely and openly ignored and violated. The most common violation is through the misuse of the ivory identification cards required to accompany each piece of legal ivory. The survey found that it is common practice in some licensed facilities to refuse to provide customers with the identification card, thus making a mockery of the registration system. Further, the identification card itself has become a commodity, sold to unlicensed shops to provide “legal status” for smuggled ivory.

More frequent and effective inspections of the market and stricter enforcement of the laws are needed. Market inspections should be carried out in a more clandestine

manner by undercover law enforcement officers. The evidence and intelligence gathered from these inspections could support large-scale, multi-agency operations to crack down on illegal ivory trade. Intelligence-led enforcement, combined with severe penalties, is necessary to deter illegal wildlife trade. Penalties should include high fines and prison sentences in addition to the confiscation of illegal ivory. Punishment must be such that wildlife trafficking becomes a high-risk crime like drugs and arms trafficking.

The caution that ivory traders in Fujian expressed following the arrest of a key ivory trader supports the argument that strong enforcement activity can serve as an effective deterrent. Enforcement operations like that, along with successful prosecution and conviction of wildlife criminals, should be publicized and promoted. The agencies that carry them out must receive support and reinforcement from the government and from the public. Such demonstrations of a strong law enforcement presence serve as examples to wildlife traffickers that their activities will not be tolerated, regardless of their position and connections.

In the Chinese market, the wholesale price of ivory, after adjustment for inflation, has increased nearly three times in the past six years. The dramatic increase in the price of ivory reflects a strong demand for ivory in China. With other investment options diminishing, ivory and the parts and products of other endangered wildlife species are increasingly promoted for their so-called “inflation proof investment value.” Ivory is now considered “white gold” by investors and people seeking to demonstrate their wealth and status. The rarer the animal, the more it is coveted by wealthy consumers and investors, a growing cohort in China.

In the markets outside China where illegal ivory is sourced, the strength of the Chinese Yuan (RMB) against the US dollar provides more purchasing power to Chinese who convert RMB to USD to buy ivory. For ivory smuggling and trafficking operations, the weakened USD and rising ivory prices in the Chinese market mean huge profits.

³¹ State Forestry Administration official document #258 (2008)

Once smuggled ivory reaches China, the line separating legal from illegal disappears. Not knowing which ivory item is legal or illegal, potential consumers may well base their purchasing decisions on price. An IFAW-commissioned poll in 2007 showed that, among actual ivory consumers, 75.4 percent preferred to buy ivory at a cheaper price without corresponding identification cards.³² Legal ivory, when assuming the costs of registration and licensing, is inherently more expensive. The cheaper illegal ivory thus becomes more attractive for consumers on the black market.

Public awareness campaigns targeting Chinese nationals along the entire supply chain, from poaching to transiting to consuming countries are urgently needed. The two legal ivory stockpile sales over the last 20 years have created much confusion among

consumers. Many people believe all international commercial ivory trade is now legal. This misunderstanding is further aggravated by the fact that legal domestic ivory markets exist in many countries in Africa and Asia. To alleviate

further confusion among the Chinese public, the message must be clearly communicated that all cross-border ivory trade is illegal. Furthermore, the message should emphasize that participation in ivory trade stimulates demand and fuels the escalating elephant poaching crisis in Africa.

IFAW's survey has revealed the shortfalls in only one link of the global ivory trade chain: the consumer market in China. However, China alone cannot be blamed for the escalation of elephant poaching and ivory trafficking worldwide because the trade chain spans continents and oceans from Africa to Asia. To solve the poaching crisis, the international community must understand the market dynamics and the impact of CITES ivory trade decisions.

CITES decisions to allow repeated ivory stockpile sales broke the integrity of what had effectively been a ban on international commercial ivory trade. At the 2002 CITES CoP, China asserted that the first one-off sale of ivory to Japan had spurred increased demand in China and caused law enforcement problems. It contended that many Chinese misconstrued the one-off sale as lifting the international commercial ivory trade ban and that the legality of ivory sales in some elephant range states gave the wrong signal to Chinese people working and touring in those countries.³³ The situation today, 10 years later, is much worse.

The intention of the stockpile sale was to flood the market with legal ivory in order to reduce its price. However, the reverse has happened. The influx of legal ivory into the market in China has spurred demand, pushed up prices and created a gray market in which legal ivory provides outlets and opportunities for illegal ivory to be sold.

The responsibility to protect elephants rests with the international community as a whole. Elephant range states have to close domestic ivory markets and improve enforcement to control elephant poaching. Countries identified as key transit points for ivory trafficking have to increase communication and collaboration with INTERPOL and regional law enforcement networks to effectively combat the criminal syndicates involved in the illegal trade. CITES Parties need to consider the implications of their decisions to allow repeated ivory sales.

It has long been known that putting a price on a wildlife species leads to the depletion or

elimination of its populations.³⁴ The more endangered a species is, the higher its price tag. In effect, this is what has happened with elephants.

High ivory prices and expectations of even higher prices in the future fuel greater demand for ivory as an investment vehicle that will hold its value. The more endangered elephants become, the higher the price for their tusks and the greater the value of ivory as an investment. Thus, a spiral of extinction develops, with higher prices driving more poaching, decreasing elephant population leading to ever higher ivory prices and greater demand, which creates increased financial incentives for poaching.



Kenya Wildlife Service rangers carrying tusks from poached elephants.

The poaching of African elephants is on the rise. In the first two months of 2012, more than 400 elephants were butchered for their ivory in Cameroon's

Bouba Ndjida National Park alone.³⁵ First-hand information collected by IFAW revealed the

indiscriminate and violent nature of the killings of entire elephant families, including juveniles with small tusks.

The poaching incident in Cameroon in early 2012 and ongoing elephant killing in many parts of Africa may mark a return to the mass slaughter of elephants in the 1970s and '80s which prompted the international ban of commercial trade in ivory in 1989.

What is different today compared to 30 or 40 years ago are the enhanced opportunities for wildlife trafficking afforded by advances in technology, the integration of global markets and the massive consumer power in Asia. The burgeoning Asian market, together with efficient means of commerce, transport and communications, could have an even more immediate and devastating impact on elephant populations.

One way to help protect elephants in Africa a species already under severe pressure from habitat fragmentation and loss – is to eliminate the demand for ivory on an international level. As long as elephants are still being killed for their tusks, CITES Parties should reject any proposal to allow international commercial trade in ivory.

The world's governments and people share a collective moral responsibility to ensure the long-term survival of elephants.



Family group of elephants killed for their ivory in Kenya, March 2002.



IFAW's Green Passport Initiative educating Chinese travellers to Africa.

³² IFAW Public Opinion Poll on Elephant and Ivory Trade, Horizon Research Consultancy Group, 2007

³³ CNMA Letter to TRAFFIC (2002)

³⁴ Lavigne, D.M. [ed]. 2006. Graining Ground: In Pursuit of Ecological Sustainability. IFAW and University of Limerick, especially pages 10-13, including Table 1-3.

³⁵ IFAW Press release, Too late – military intervention fails to halt elephant slaughter in Cameroon, March 12, 2012

Date	Country	Tusks	Worked Ivory	Other Wildlife Products	Weight (KG)	To/From	Sources
Jan.	Thailand	69	4	0	435	From Mozambique	http://www.jisi.gov.cn/News/hqlw/201101/20110107143436_4611.html
Feb.	Thailand	118	50	3 rhino horn	1,050	From Nigeria	http://www.jisi.gov.cn/News/hqlw/201102/20110228104735_4772.html
Mar.	Cameroon	20	0	0	–	From Congo	http://www.jisi.gov.cn/News/hqlw/201103/20110311145652_4829.html
Mar.	Thailand	–	800 boxes of ivory	0	2,000		http://gz.dsb.gov.cn/News/index.asp?id=1209
April	Thailand	247				from Kenya	http://www.cbc.ca/news/world/story/2011/04/01/thailand-ivory-tusk.html
April	Vietnam	122	0	0	300		http://www.reaev.de/wordpress/?p=2296
April	China	707	32 bracelets	1 rhino horn	–		http://www.jisi.gov.cn/News/szsm/gx/201104/20110419160110_5030.html
May	Kenya	84	0	0			http://abcnews.go.com/International/wireStory?id=13542138
July	Malaysia	405	0	0	–		http://www.ens-newswire.com/ens/sep2011/2011-09-06-01.html
July	USA	–	–	–	907		http://www.jisi.gov.cn/News/hqlw/201108/20110801162844_5559.html
Aug.	Hong Kong	794	0	0	1,898	From Malaysia	http://www.jisi.gov.cn/News/szsm/hongkong/201108/20110831155834_5758.html
Aug.	Tanzania	1,041	0	0	–	Destined for Malaysia	http://www.ifaw.org.cn/site/apps/nlnet/content2.aspx?c=ql0ldNZJwE&b=3758907&ct=11202149&notoc=1
Sept.	Malaysia	664	0	0	1,500	From United Arab Emirates	http://www.ens-newswire.com/ens/sep2011/2011-09-06-01.html
Sept.	China	37	0	0	–		http://www.gxfzw.com.cn/news/news_show.asp?id=129785
Sept.	Zambia	169	0	0	–		http://www.jisi.gov.cn/News/hqlw/201109/20110906112154_5793.html
Sept.	Malaysia	695	0	0	2,000	Destined for China	http://www.ens-newswire.com/ens/sep2011/2011-09-06-01.html
Nov.	Kenya	87	0	0	–	Destined for Hong Kong	http://tour.dbw.cn/system/2011/11/29/053546640.shtml
Nov.	Hong Kong	0	758 chop-sticks and 157 bracelets	33 rhino horn	–		http://hm.people.com.cn/GB/42276/16268678.html
		5,259			10,090		

Seizure information collected from published media sources in 2011.



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