The Urgent Need to Modernise CITES

NATURE NEEDS MORE

THE NEW WAY OF WILDLIFE CONSERVATION

October 2020

Overview Of Presentation

- The vast ***legal*** trade in endangered species is regulated by a UN Convention, CITES, that has had **only one review in 45 years, which was in 1994.**
- We present the adverse effects of this poorly regulated legal trade and how it is contributing to the extinction crisis.
- Currently, **the legal and illegal trade in endangered species are so intertwined that they are functionally inseparable**.
- The trade system under CITES is impoverished to the point of being ineffective, while **industry makes huge profit from trade**.
- We present **a 3-step solution on how to modernise CITES** and address its deep flaws in relation to the protection of endangered species.
- Our proposed solution will **decouple the illegal and legal trade,** make enforcement easier and provide significant resources for conservation.
- **Without transparency, sustainability (and sustainable use) cannot be proven.**

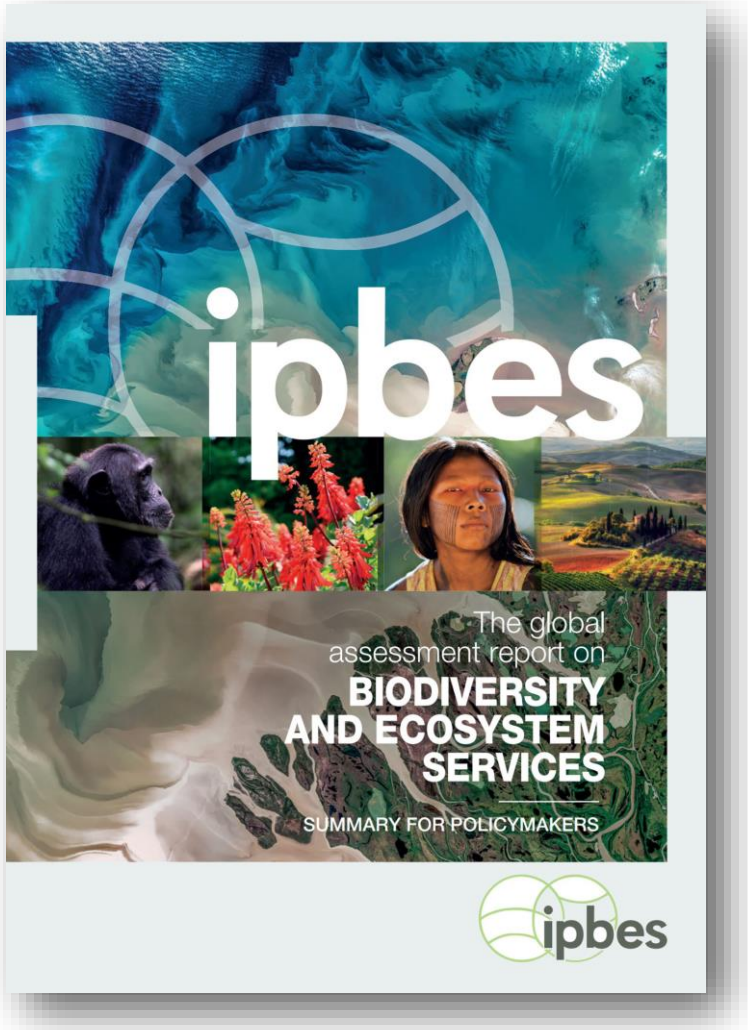
After years of researching and working on the demand for illegal wildlife 'products', in 2017 we came to the conclusion that the illegal trade can not be tackled until the loopholes in the legal trade in endangered species are closed. CITES needs modernising to cope with current trade volumes.

Example: In 2019, 22 countries participated in Operation Blizzard netting:

- 2,703 turtles and tortoises
- 1,059 snakes
- 512 lizards and geckos
- 20 crocodiles and alligators

Destined for exotic pet and fashion industry.

Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services Report



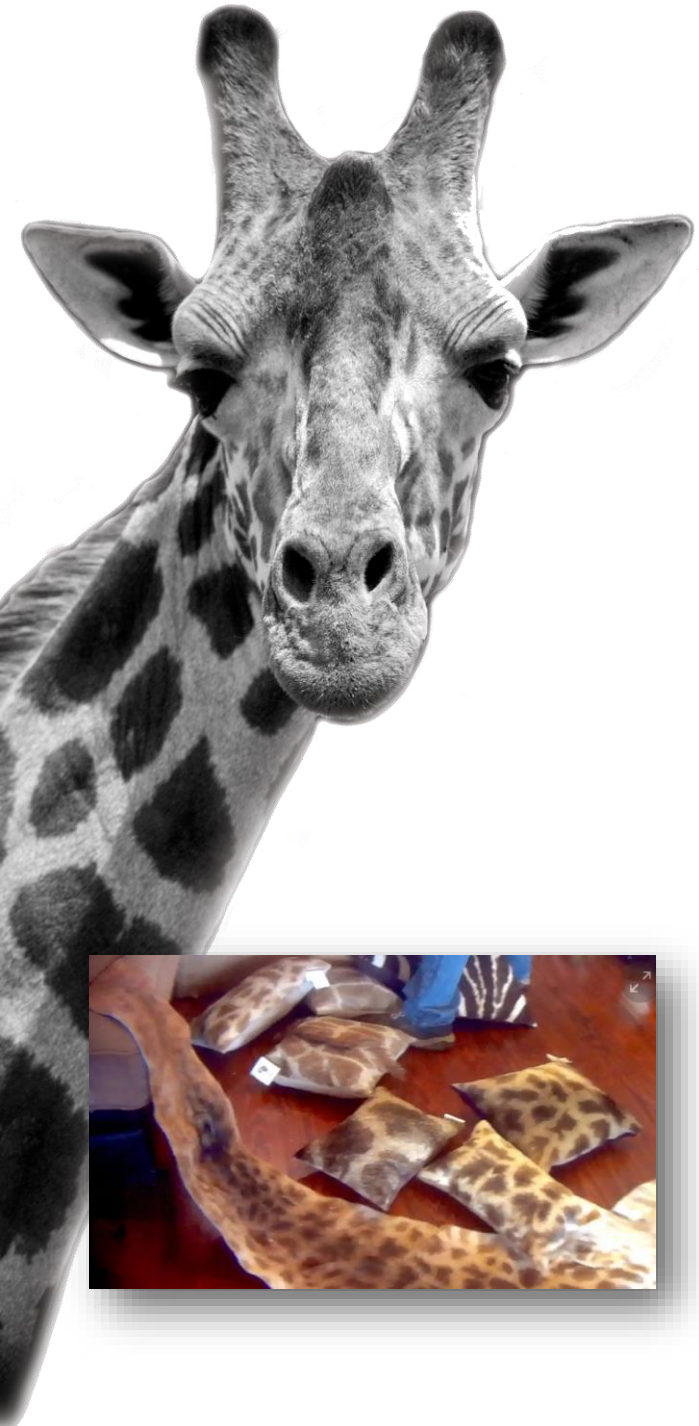
The landmark May 2019 IPBES report into the global extinction crisis confirmed that:

- Direct exploitation for trade is the **most important driver of decline and extinction risk** for marine species.
- Direct exploitation for trade the **second most important driver of decline and extinction risk** for terrestrial and freshwater species.

The ***legal*** trade in exotic and endangered wildlife has been allowed to fly under the radar for decades.

What is CITES?

- **Convention on International Trade in Endangered Species of Wild Flora and Fauna.**
- Came into force in 1975, now has 183 signatories.
- Is a **'non self-executing' UN Convention** – signatory countries are responsible for ALL compliance, monitoring and enforcement.
- **Setup penalises exporting countries** (mostly poor yet biodiversity rich) and favours importing countries (mostly rich yet biodiversity poor).
- **Core funding of just US$6.2 million annually to facilitate global legal trade worth US$320 billion* annually (estimated value in 2009).**
- 38,700 (and growing) listed species, significant number of decisions, resolutions and guidance.
- **Signatories mandated** to set up Management Authority (issues trade permits) and Scientific Authority (listing proposals, Non-detriment findings); **an Enforcement Authority is *not* mandated under CITES**.
- **One review in 45 years in 1994, articles have not been amended since 1983.**

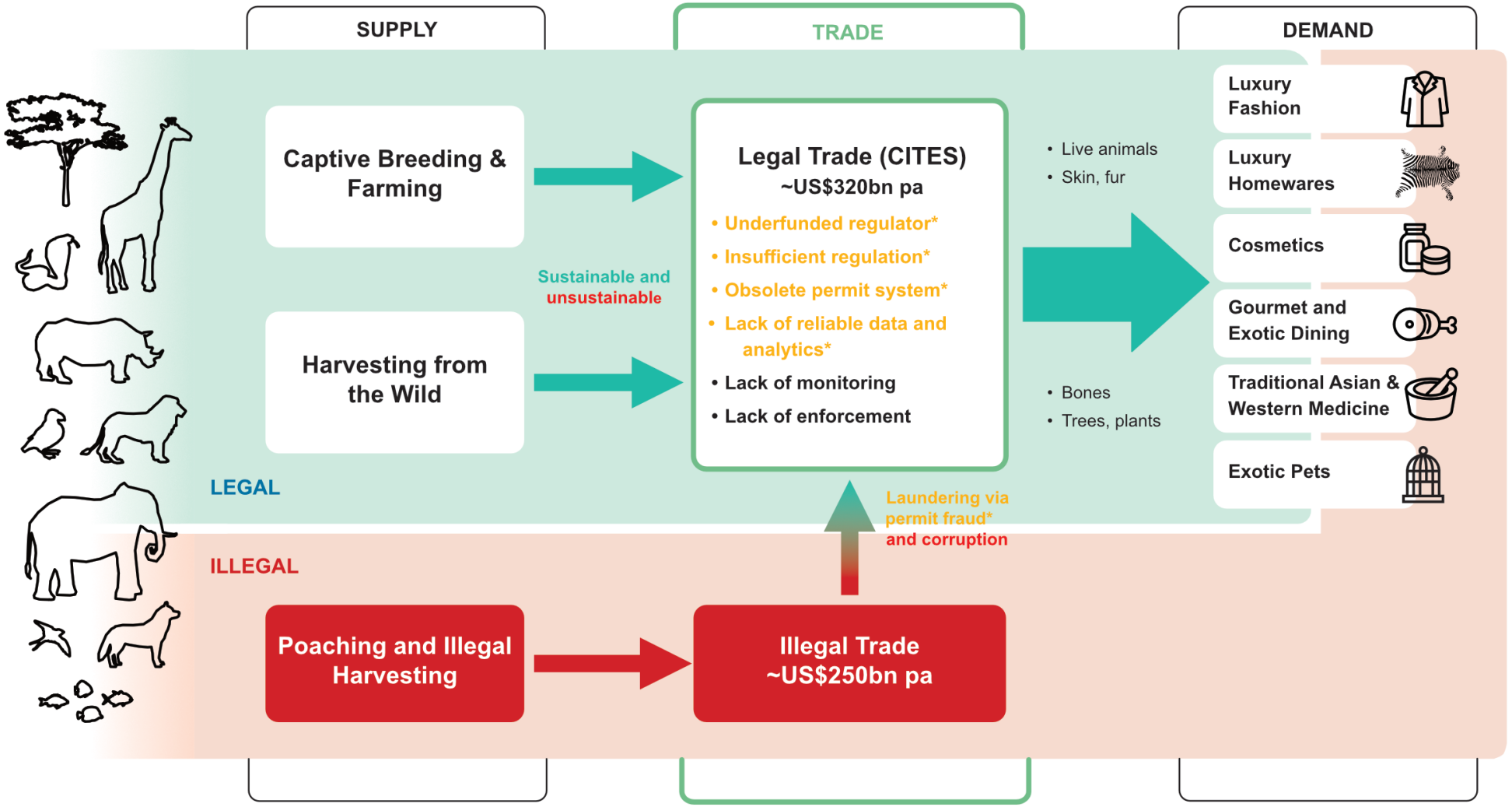


A Solution

- While our preference would be for a conservation led convention, we accept that the currently accepted model is based on trade.
- **Therefore this trade system needs to be fit-for-purpose and properly resourced.**
- CITES does not currently **implement the Precautionary Principle**.
- **Pragmatically we need to close down loopholes in the legal trade, including fixing the CITES trade system.**
- The legal trade system can be fixed with:

1. **Moving to a global electronic permit and monitoring system.**
2. **Reverse listing - default position of no trade (Precautionary Principle).**
   Put **burden of proof of ecologically sustainable use on traders**, not governments and conservation NGOs as it is under the current system.
3. **A trade 'levy' to fund proper monitoring and enforcement.**
   Make industry pay for regulation and enforcement.

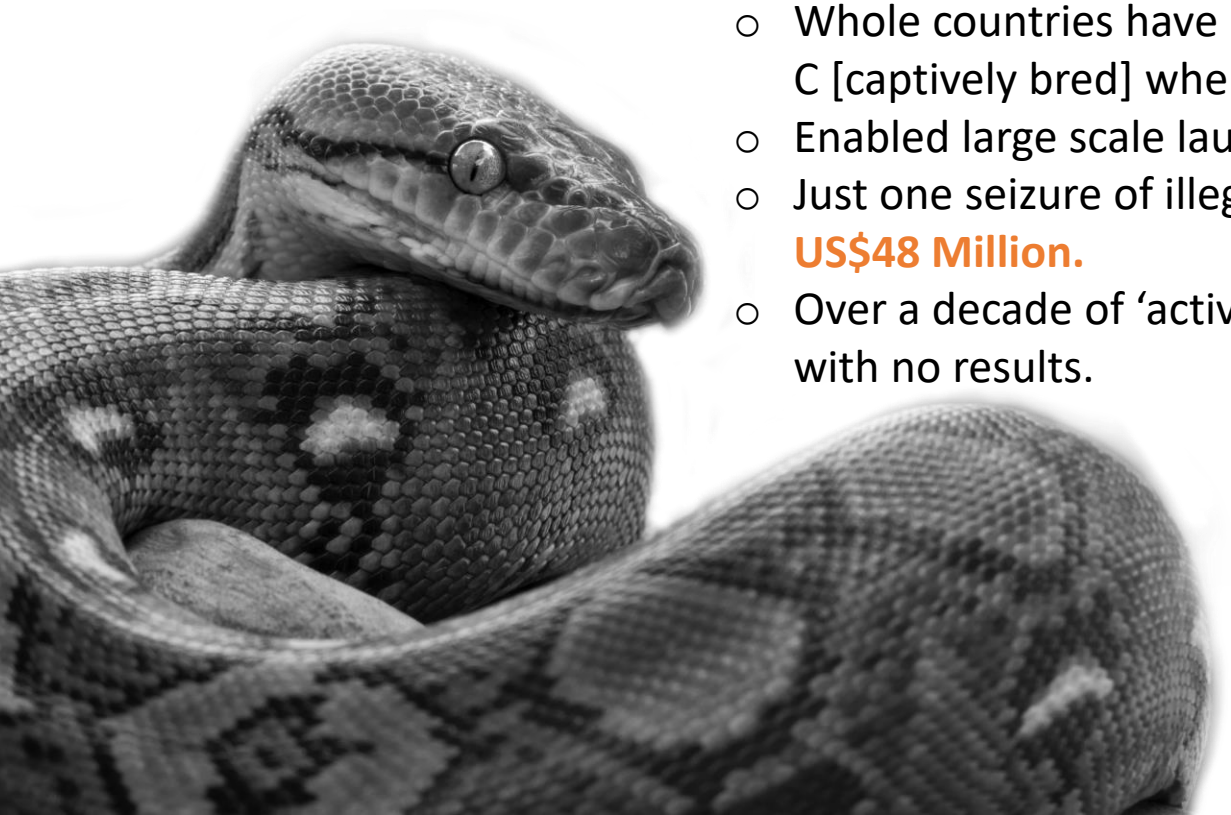
Legal & Illegal Trade Functionally Inseparable

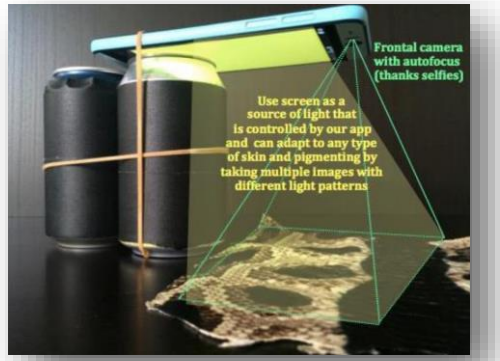


** Currently the legal and illegal trade are so intertwined that they are functionally inseparable. The only way to tackle the illegal trade is to modernise CITES which addresses all the items marked in amber.*

The Value of Trade – Example

- Extract from EU Parliament document: **"The wildlife trade is one of the most lucrative trades in the world. The legal trade into the EU alone is worth EUR 100 billion (US$118 billion) annually".**
- Example - just one species - python:
  - **96% of python skins are used in the European fashion market.**
  - **In 2013 the value of the python skin market was estimated to be over US$1 Billion.**
  - Whole countries have been found to be exporting pythons with a CITES source code C [captively bred] when there is no evidence of python farming in the country.
  - Enabled large scale laundering of illegal python skins into the legal marketplace.
  - Just one seizure of illegal python skins in China in 2016 had estimated worth of **US$48 Million.**
  - Over a decade of 'activity' to develop tagging system with no results.

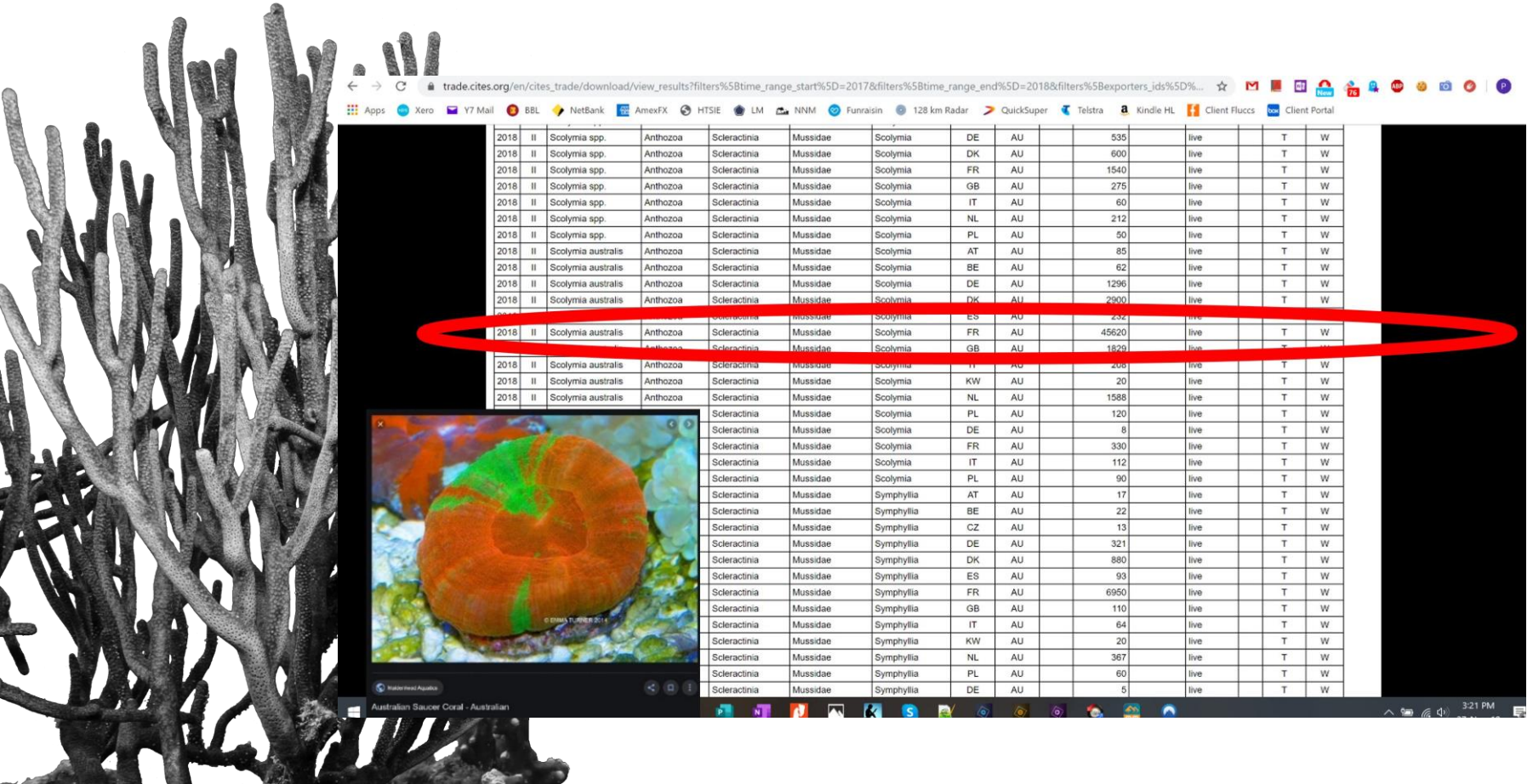




The annual budget for CITES to administer this monitoring system for not just 1 species, but all 38,700 is US$6.2 Million.

The Value of Trade – Australian Example

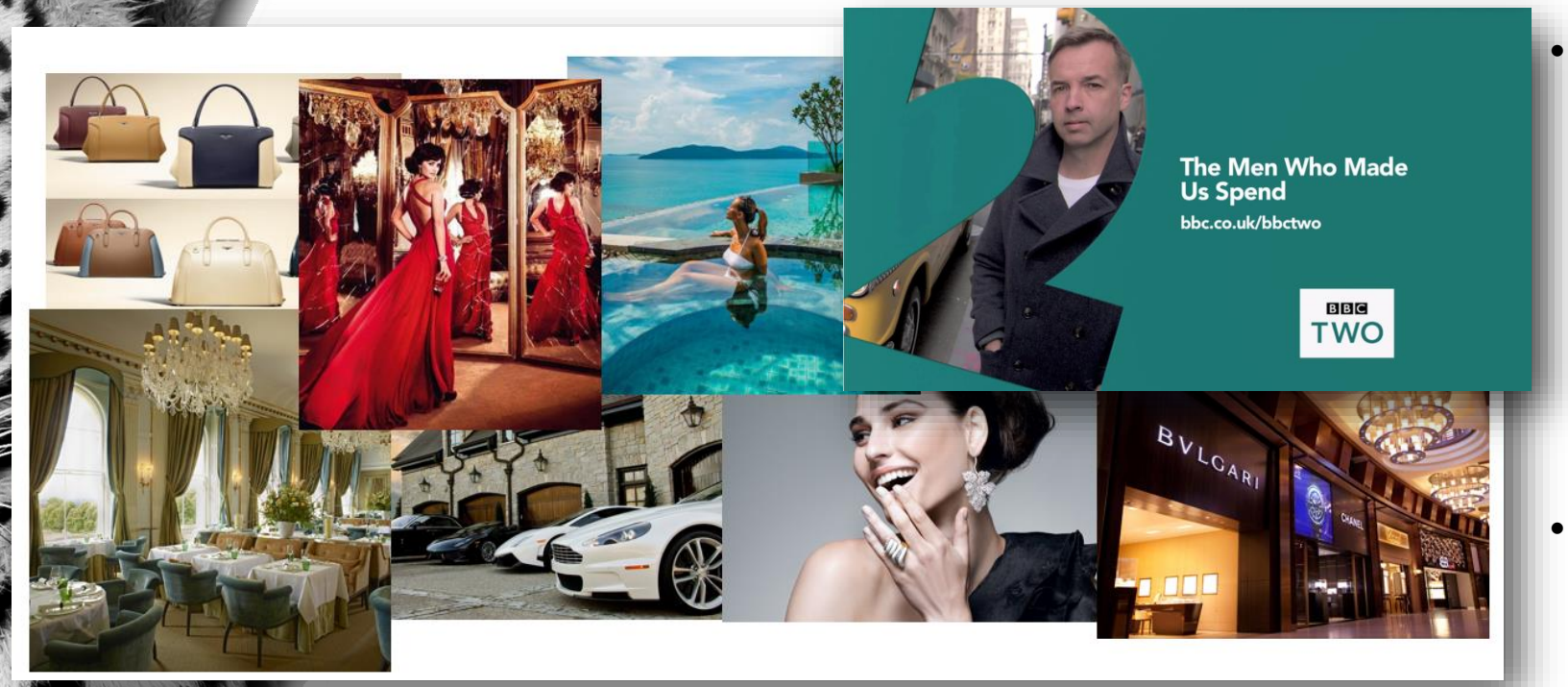
Australia's ornamental fish industry estimated to be worth $350 Million annually. An example of CITES export permit data - one permit alone enabled the export of **45,620 units** of Scolymia Australis, a very sought-after coral for high-end aquariums.



- Each ***unit*** is valued between US$100 and US$500 to the USA or European ornamental aquariums industry.
- Retail value of this one shipment is worth somewhere between **US$4.5 – US$25 Million.**

- **Fee for the CITES export permit? AUS$69 (USD$48)!**

Wildlife Trade – Why has it got so bad?



- **Legal (Luxury) Consumption** A lot of money and energy goes into telling & selling us that we need this lifestyle to be seen as successful.
- In 2018 worldwide luxury retail sales was valued at **US$1.3Trillion pa.**
- Since CITES came into force (1975), there has been tripling of the consumer base, with the fall of the Berlin wall (1989) and the economic explosion in Asia (starting 1993).

What happens when mainstream legal luxury consumption is not enough?

Legal and Illegal Exotic Wildlife Luxury Consumption

- Status and social differentiation consumption.
- Exotic legal products become more acceptable – elephant skin.
- Illegal wildlife items coveted by ‘beyond legal luxury’ consumers.
  - Purchased for status gain and differentiation – when legal luxury is not enough.
  - Wildlife traffickers can increasingly be described as ‘market savvy, intuitive, ruthless, nimble entrepreneurs’

The Scale of the Problem – CITES Trade System

A paper published in February 2019 highlights that species identified by the International Union for Conservation of Nature (IUCN) Red List as being threatened from trade can wait:

- **As long as 19 years for protection under CITES** or
- **Have already been waiting up to 24 years** to be listed to CITES for trade restriction, after first being named.
- The **average waiting time in 12 years**.

Example: Helmeted hornbill listed as only Near Threatened 2012, but a sudden increase in demand resulted in it being upgraded to Critically Endangered in just 3 years.

The Scale of the Problem – CITES Trade System

A paper published in 2015 outlined the prevalence of documentation discrepancies in CITES trade data for Appendix I and II species **exported out of 50 African nations** between the years 2003 and 2012.

- The data represented **2,750 species**.
- Of the **90,204 original records** downloaded from the database:
  - **Only 7.3% were free from discrepancies.**
  - **Increases in discrepancy-rates between 2003 and 2012 suggests that the trade was monitored less effectively in 2012 than it was in 2003.**

Sustainable Use Model

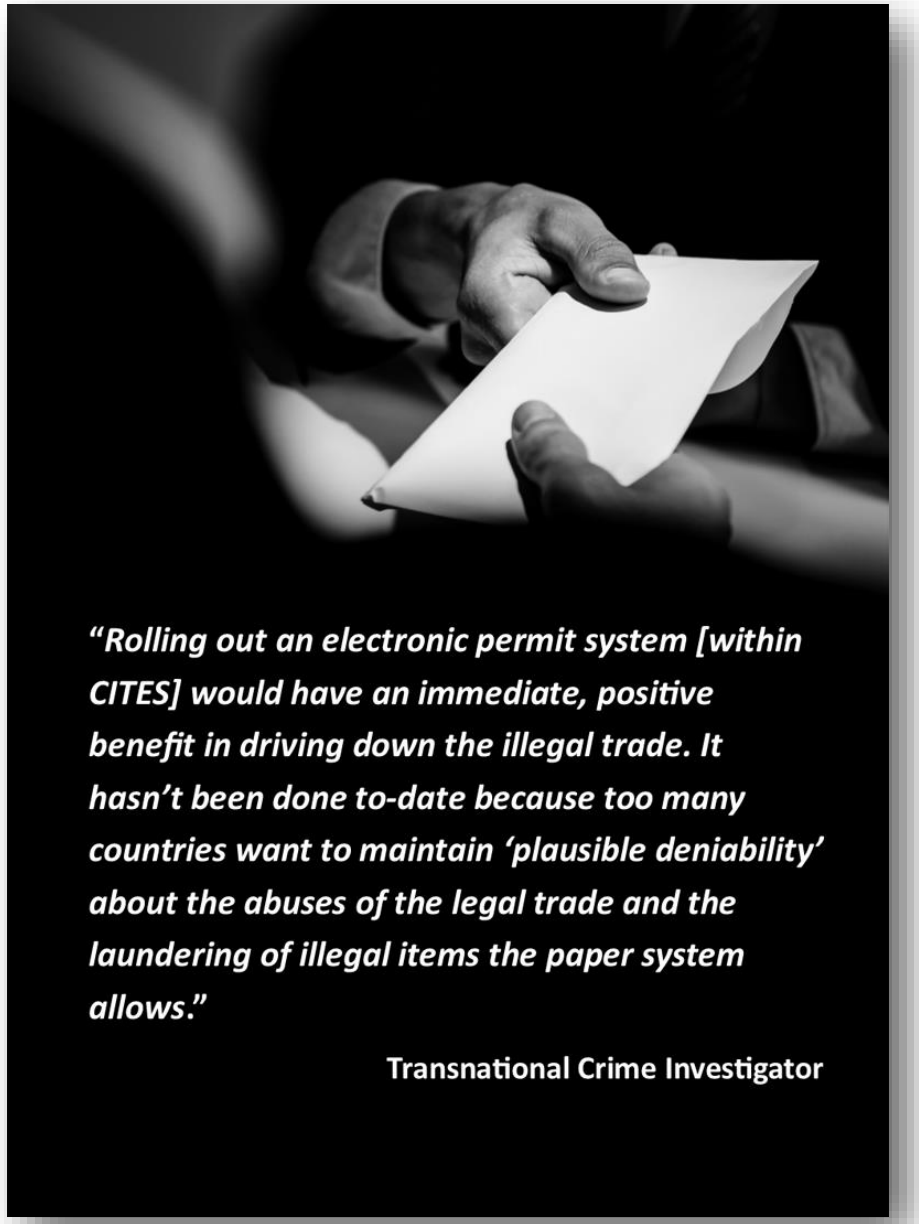
- **Without regulatory transparency there is no proof of sustainability**.
- Blind trust can be abused with ‘greenwashing’.
- Little real action is being taken on sustainability:
  - Investigating 80 luxury goods manufacturers listed on the New York Stock Exchange, researchers found a total of just 168 announcements about implementing sustainable practices in the Wall Street Journal in the last decade, translating to **two announcements per company per decade!**
  - Research found that **hubris and overconfidence caused by excellent financial performance is a major driver of irresponsible corporate behaviour**, with companies making above-average profits more likely to breach their environmental or social obligations than run-of-the-mill firms.
- **Is there any genuine ‘proof’ that the sustainable use model has or can work to protect endangered species?**
- **Any of the stakeholders - business, government or conservation - who want the sustainable use model to remain must commit to validating it. Radical (supply chain) transparency is the first step.**

Summary of Problems

- **Massive scale of both legal and illegal trade**: ~US$500bn combined.
- Lack of funding – costs mainly on exporting countries, philanthropists and NGOs; business free-riding.
- **Too many listed species with not enough enforcement**; **an Enforcement Authority isn't mandated under CITES**.
- **85 signatories do not have enforcement authorities.**
- CoP and Committees no longer coping with volume of documents/work.
- Delays have adverse consequences.
- **Completely outdated permit and monitoring system.**
- **No current 'proof' of sustainable use model.**
- **Things will only get worse: IPBES report – up to 1 million species at risk.**

Step1: eCITES Permit System

- **An electronic permit system for CITES designed to integrate with global customs systems is available** (eCITES, created by UNCTAD).
- System can be hosted by UNCTAD and implementation is quick and supported by UNCTAD (6-12 weeks per country); ONLY Sri Lanka has adopted the system to date.
- Major obstacle is cost, even though it is below US$150K per country and just US$30million is needed for global roll-out.
- Funding via World Bank Global Wildlife Program, GEF? Between 2010 and 2016 **major donors provided US$200 million to promote 'sustainable use', driving up trade**.
- But no funds provided to modernise the system that facilitates this trade.
- **Benefits: Integration with customs, pre-clearance, real-time permit validation, real-time reporting, traceability.**
- Requires political and industry pressure to get parties to prioritise the adoption of the eCITES system

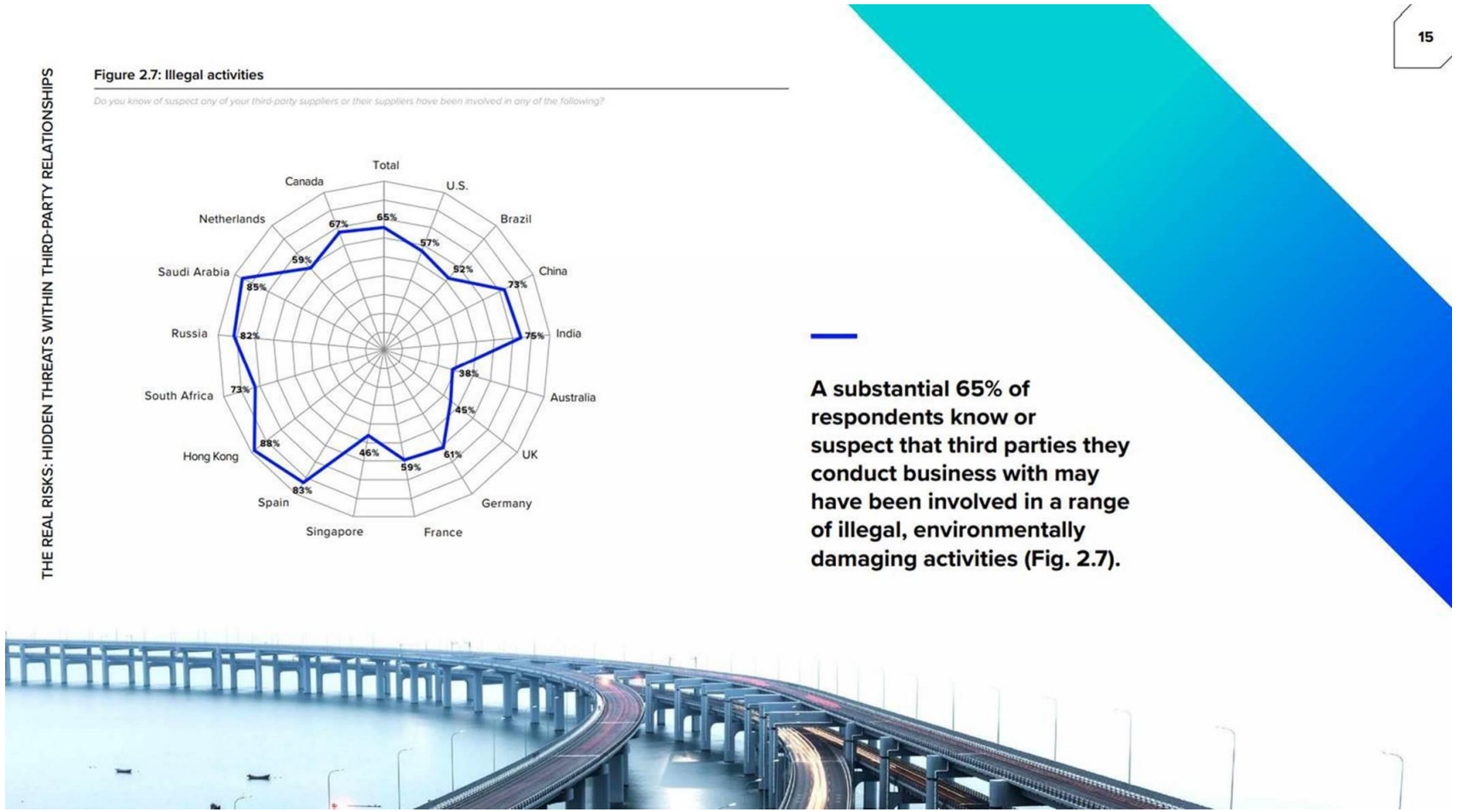


Lack Of Traceability

The problems with CITES data/permits not unique to developing countries. For example, we analysed the trade between Australia and the UK from 2010 to 2016 using the CITES Trade Database:

- **The number of Elephantidae specimens (mostly ivory but some skin) exported from the UK to Australia amounted to 2,953 'units'.**
- **In the same timeframe the number of Elephantidae specimens recorded as imported into Australia from the UK equalled 3 'units'.**
- **A difference of 2,950 'units'!**
- **Under the current system, shipments can simply 'disappear', because most countries do not require import permits for Appendix II listed species and do not report import quantities.**
- **If the shipment does not require an import permit at the destination country, you can put any destination you want on the export permit.**
- Australia DOES require import permit for ALL CITES listed species (including Appendix II listed).
- **Electronic permits only work to tackle the illegal trade if ALL countries adopt them and implement electronic permit exchange.**

Business Knows The Risks Of Green Crime



https://www.refinitiv.com/content/dam/marketing/en_us/documents/reports/hidden-threats-within-third-party-relationships-2020.pdf

60% of respondents say they are not fully monitoring third parties for ongoing risks.

61% say that prosecution would be unlikely if they breached third party related regulations.

53% say that they would report a third-party breach internally.

Only 16% say they would report it externally.

93% say that spending increased after an enforcement action related to third-party risk.

Step 2: Reverse (Positive) Listing

- **Current CITES default is any species can be traded without restrictions**, unless it is listed on the Appendices.
- Puts burden of proof on governments and conservation NGOs – expensive, long listing delays, disputes between countries (e.g. over elephant populations).
- **Reverse Listing means default is NO TRADE.**
- Puts burden of proof (of no harm) on those benefiting from trade – industry would have to submit proposals for trade listings.
- Allows much stricter definition of ‘ecologically sustainable use’.
- Includes need to prove existence of current demand and nature of demand/desire.
- **Reverse listing requires change to the articles of the CITES convention.**

Reverse Listing Is Not A New Idea

- First proposed in a 1981 Australian submission to CoP 3 in New Delhi.

> This resolution identifies the problems arising from continuing additions to appendices and recommends that the principle of "reverse or clean" listing be adopted by CITES to replace the present appendices. Such lists would comprise only those species which have been proposed for commercial trade by a Party and for which there is agreement that a sufficient level of knowledge, management and control exists to ensure that the proposed trade will not threaten the species survival. The onus would be on the proponent to provide these data to the Conference of the Parties and a proposal would be dealt with in a manner similar to that presently adopted for appendix listings.

- At the time it wasn't adopted because, at 700, there were considered too few species listed; it is now 38,700 (and growing). So the CITES system was left to expand and to grow unrestrained, to the point were there are too many species, not enough control and too few resources. **Everything the 1981 Australian submission warned would happen has happened.**

Reverse (Positive) Listing – Why?

- Positive listing sets out '**what is allowed**' - direct implementation of the **Precautionary Principle**
- Given the evidence in the IPBES Report we can no longer presume that direct exploitation for trade does NOT cause harm to species/ecosystems
- Used in all industries that apply Precautionary Principle:
  - Pharmaceutical drugs (human and veterinary)
  - Medical implants
  - Pesticides, Fungicides
  - Aircraft, Helicopters and their components
- **Positive Listing gives proper powers to the regulator – "no listing = no trade" (compliance mechanism is 'built into' the listing mechanism)**
- **Makes it much easier to get industry to pay cost of regulation**

Step 3: Industry Contribution

- Industry get all the benefits, but does not contribute to costs.
- In well-regulated industries business pays the cost of regulation
- Example: **European Medicines Agency:**

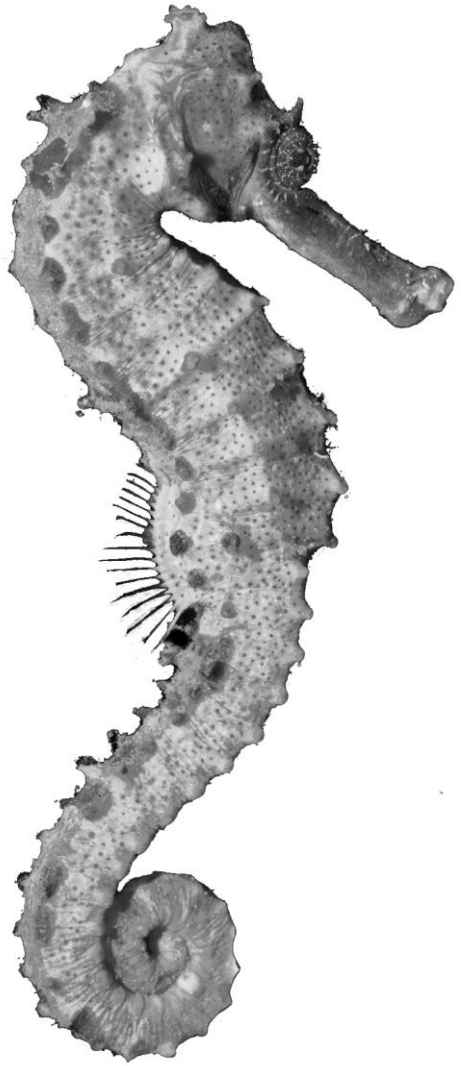
  Annual budget of €317million (US$375 million), 90% from fees 900 staff to process 60(!) applications (45 denied).

CITES could use combination of **Application Fees**

Annual Listing Fees and Levies to raise funds for

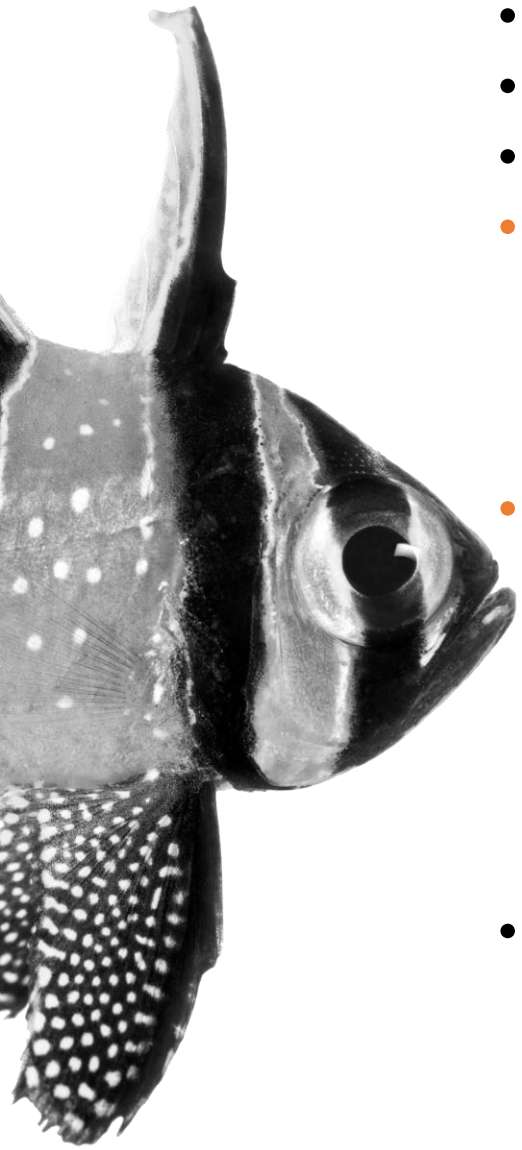
application processing, monitoring and enforcement.

Industry *Contribution* to Cost of Trade



- Reverse Listing provides for direct industry involvement in CITES – opportunity to charge listing fees and/or levies.
- Without reverse listing industry levies could be charged via import permits linked to volume-based charges in the major import countries.
- **For equity reasons charges should be levied on importers, not exporters, when considering value chain.**
- **At a 1% level on the 2009 trade value estimate such a levy would provide US$3 billion annually (compared to US$6.2 million CITES currently receives).**
- Would solve the lack of funds for adequate enforcement which currently enables the massive illegal trade.
- Majority of funds would be distributed to Parties (e.g. via The Global Environment Facility GEF).
- **Transparency would provide proof that the sustainable use model works, which isn't currently available.**

Actions & Response to Date



- Draft documentation for all 3 Steps for CITES modernisation process created.
- **Met with/presented to government representatives of 30+ CITES signatories.**
- Some fear in conservation organisations about reopening the articles.
- **Recommend Next Step:**
  - Draft resolution for CITES CoP19 in 2022 for all 183 CITES signatory parties to adopt electronic permitting (with a minimum of the eCITES Base solution).
  - More likely to be successful if US$30 million in funding found upfront.
- **Recommend Next Step:**
  - Draft submission for a review of the CITES convention, with the aim of creating a working group to **Look at reverse-listing, industry contributions and levies**
  - This working group could also explore need for an Enforcement Authority and also how to deal with biosecurity risks etc.
- Working with Australian Federal Government and other countries – which country willing to take the lead?

Thank you for the opportunity
to present this project.

We welcome
questions, ideas and feedback.

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