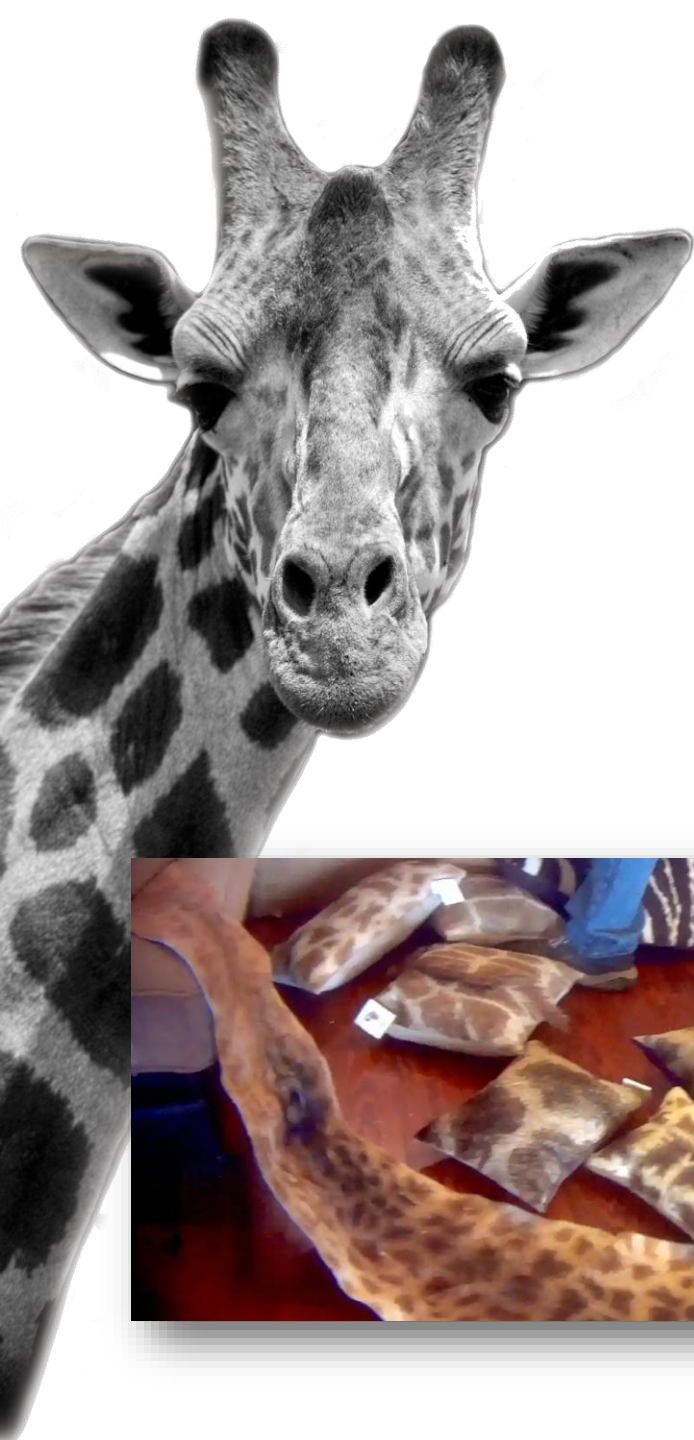


# The BU\$IN€\$\$ Of Nature

The SUStainability Game



September 2023



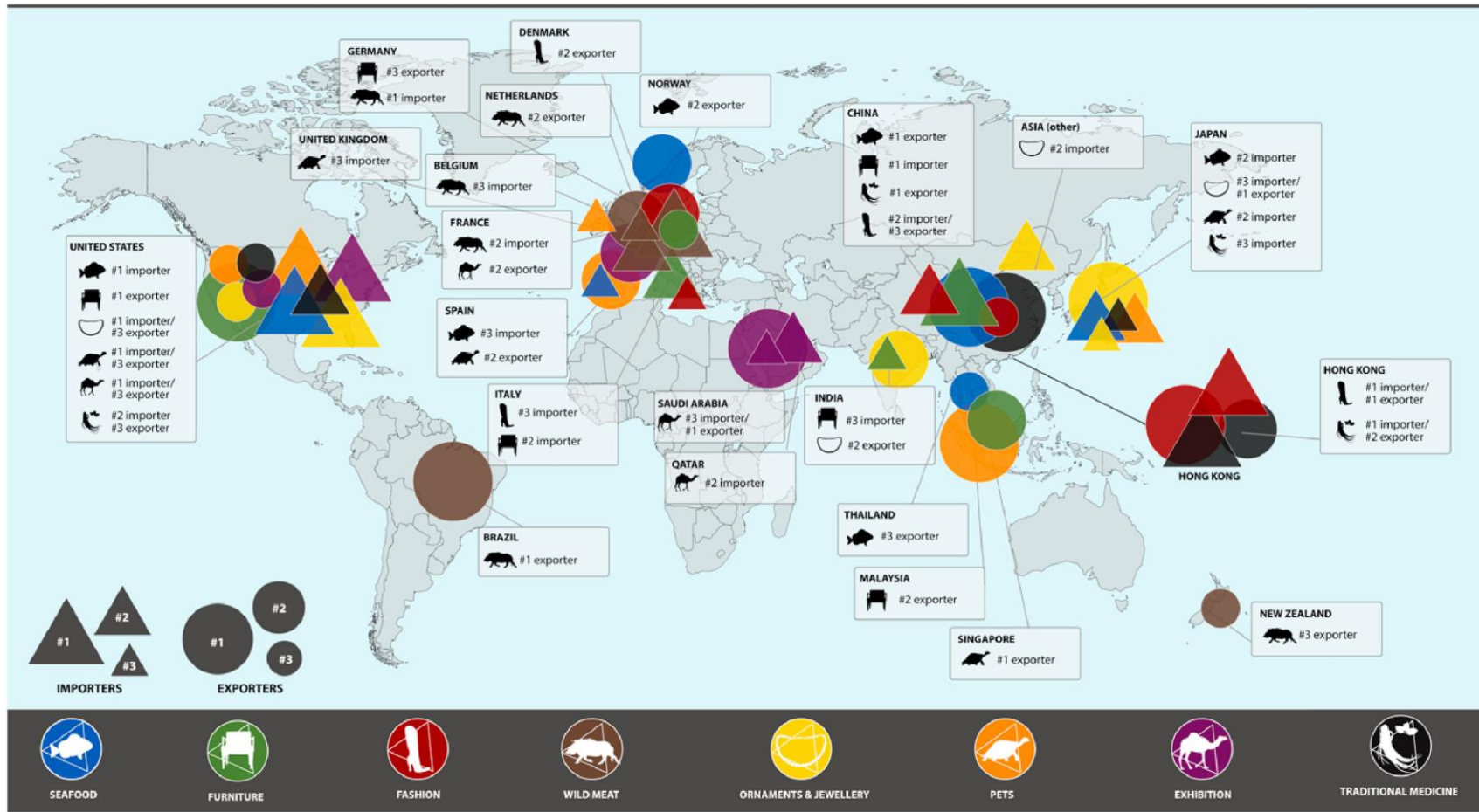
**After years of researching and working on the demand for illegal wildlife ‘products’, in 2017 Nature Needs More concluded that the illegal trade cannot be tackled until the loopholes in the legal trade in endangered and exotic species are closed. CITES needs modernising to cope with current and future trade volumes.**

### Overview of Presentation

- Unsustainable and unchecked LEGAL demand is driving illegal harvesting.
- Easy for illegal ‘raw materials’ to be laundered into legal end user markets.
- Where regulation does exist, it is stuck in 1970s technology.
- Why and how is this being clinically sidestepped?



# Who Profits From The Trade In Wild Species?



Main countries profiting from trade in wild species:

1. USA
2. China & Hong Kong
3. Japan
4. Spain, Italy, India, France, Germany, Saudi Arabia
5. Belgium, UK, Qatar, Norway, Thailand, Brazil, Netherlands, New Zealand, Singapore.

**It is not poverty that is driving biodiversity loss, it is wealth.**



# What Is At The Heart Of The Extinction Crisis?



- After seafood, the largest industries profiting from this trade are fashion and furniture.
- This includes some of the biggest and well-known luxury brands and conglomerates.
- TCM is growing fast and could overtake both if growth continues.
- **At the heart of biodiversity loss is unregulated or poorly regulated legal trade.**

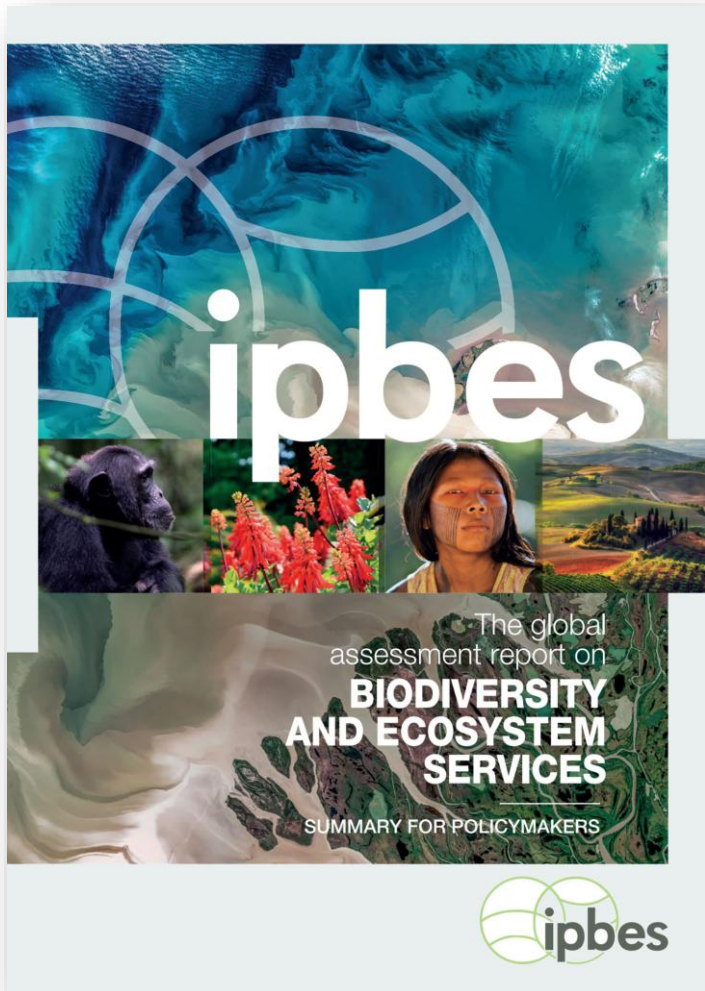
# Wildlife Trade – Why Is It So Bad?



- **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 2022 worldwide luxury retail sales was valued at **US\$1.4 Trillion pa.**
- **Raw materials for luxury goods include rare, exotic and endangered species.**
- **For most of the wild species traded there is no monitoring or regulation.**
- **40,000 species are listed under CITES for trade regulations**
  - In 2019, trade analytics experts confirmed to Nature Needs More, CITES trade data was the worst trade data source they had ever reviewed.
- **After 50 years of (so called) regulation there is no evidence of sustainability in this trade.**



# Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services Report



The landmark May 2019 IPBES report 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 Report finds that around **1 million species are now threatened with extinction**, many within decades.

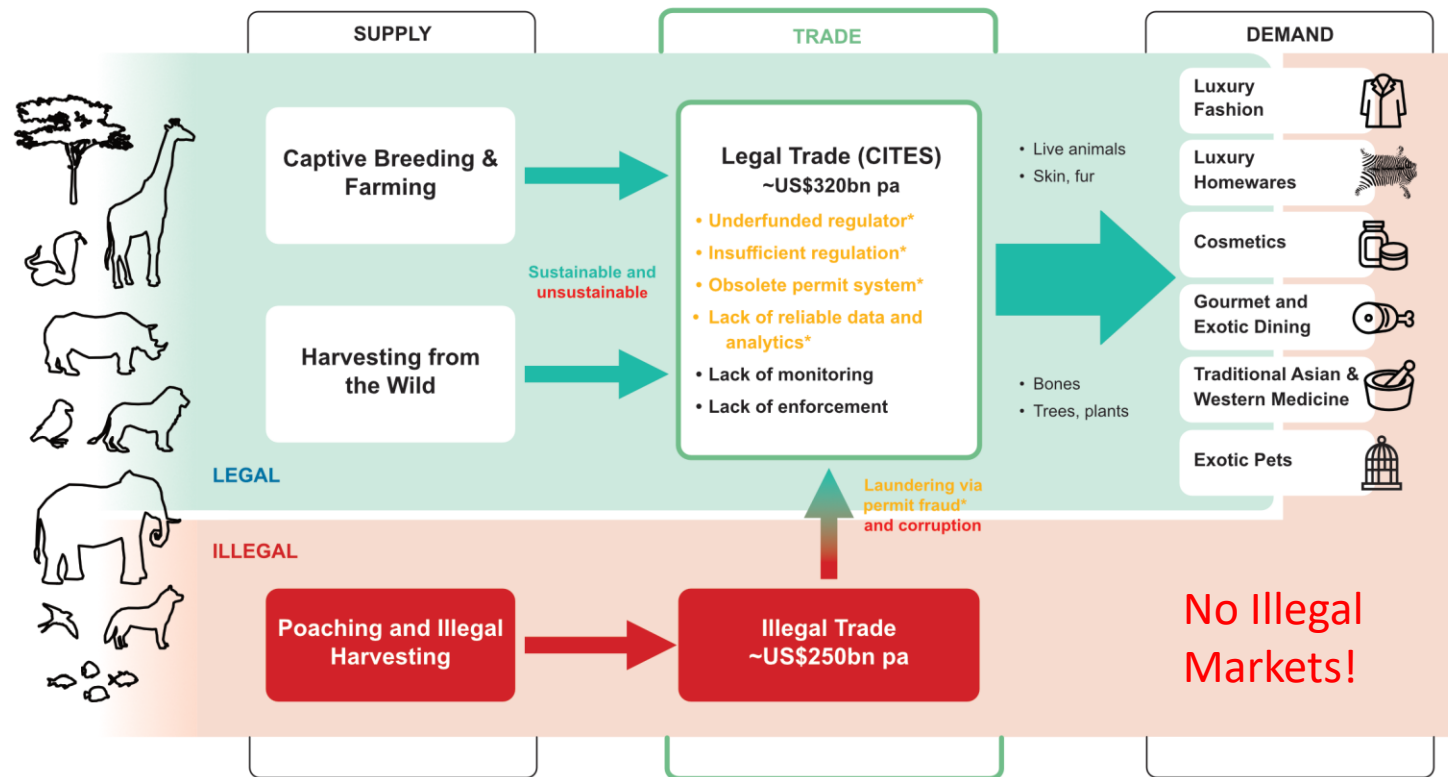
# IPBES Report's Clear Conclusions

- Land clearing and commercial trade are the two biggest drivers of biodiversity loss and the extinction crisis.
- **Main land use issue is large scale legal and illegal conversion, often through deliberately burning forests and land clearing.**
- Direct exploitation for trade – subsistence use, cultural and local trade, domestic trade, international trade and illegal trade.
- Subsistence use and cultural and local trade have miniscule effect on biodiversity
- **Research has clearly shown that international and domestic trade are the problem; the trade problem is a big business problem!**

**Large scale (domestic and international) commercial trade should not be allowed to hide behind Local Community Sustainable Use and Livelihoods.**



# 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.

- Different from other transnational crimes.
- Of the many species threatened by trade, only 40,000 listed for CITES regulations.
- Very few illegal markets (online sales on Facebook, Instagram are the exception, not the rule).
- **Traffickers have perfected ways to launder illegal specimens into legal marketplaces.**
- Example: There is no illegal market for python/crocodile skins, sturgeon eggs etc. Illegal specimen are laundered into the supply chains of the luxury fashion and gourmet food brands.



# Compare the Resources



- Legal trade in wild species: US\$350-400 **Billion** pa.
- Illegal trade in wild species: US\$100-250 **Billion** pa.
- CITES Secretariat budget: US\$6 Million pa.
- Total, worldwide NGO/IGO/Government spend on fighting illegal trade: US\$260 Million pa.
- US Government spend on War on Drugs: US\$100 **Billion** pa.

**Nobody is serious about tackling the biodiversity loss.**

# Current Conservation Focus

- List more species on CITES (but ignore the lack of funding).
- Focus on illegal trafficking – boots on the ground, law enforcement – mainly done for iconic species that donors care about.
- Support trade for poverty alleviation.
- Build networks/coalitions to tackle transnational organised wildlife crime.
- IPBES Report confirms this decades old strategy isn't working.



Banggai Cardinalfish listed under CITES for trade restrictions. In 2007, the IUCN first listed the fish as endangered. Architectural magazine gives example aquarium dance floor, with integrated disco lights, stocked with marine fish, including 60 Banggai Cardinalfish. **Trade in ornamental fish conservatively estimated at US\$20 billion, with over 98% of marine fish species collected from the wild.**

# How Big Does The Crisis Need To Be For The MSM?



Enron, Arthur Andersen, GFC, Bear Stearns, Lehman Brothers, Bernie Madoff's, Jeffrey Epstein, Harvey Weinstein. **Too often admitted to have been open knowledge for years before the scandal broke.**

- The failures of the CITES regulatory system have been open knowledge in the conservation industry for decades.
- MSM doesn't want to cover the legal trade problems. **Why? The luxury industry is one of the last major advertisers for the MSM, on average they divert 8% of their turnover into funding advertising initiatives.**
- The major conservation brands don't talk about the problems with the legal trade. Why?
- **Why does WWF quote figures from the early 1990s?**

What is wildlife trade worth financially?

This is a difficult estimate to make. **As a guideline, TRAFFIC has calculated that wildlife products worth about 160 US billion dollars were imported around the globe each year in the early 1990s.** In addition to this, there is a large and profitable illegal wildlife trade, but because it is conducted covertly no-one can judge with any accuracy what this may be worth.

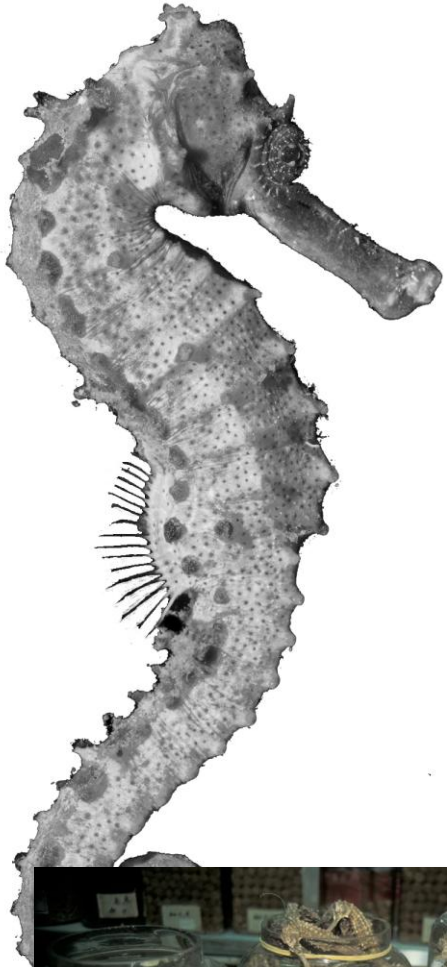
**2023: The Inaugural CITES Legal Trade Journalism Fellowship**



# CITES Flaws Exacerbate the Problem

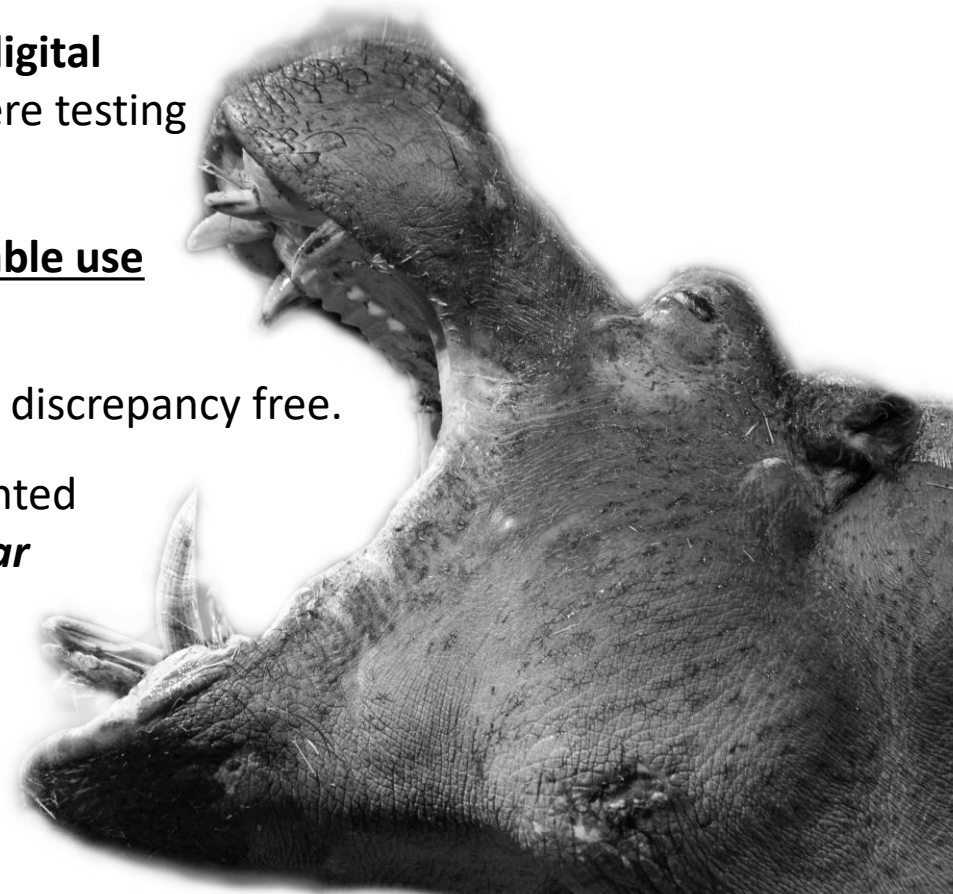
- CITES assumes all signatory countries are the same, e.g., tiny Samoa can marshal the same resources as the US to implement convention.
- No funding mechanism for global South/developing countries.
- It uses a blacklisting model which allows business to free-ride.
- It ignores supply chain transparency (only border crossings require permits).

- It stays out of commercial fishing regulation (despite trade being #1 driver of extinction risk).
- Its permit system is antiquated, and the reporting system is useless.
- Data too incomplete and poor quality to provide useful trade analytics or risk flags.



# CITES Current Status

- Massive scale of both legal and illegal wildlife trade: US\$500-600bn combined.
- Lack of funding – costs mainly on exporting countries, philanthropists and NGOs; **business free-riding.**
- Too many listed species with not enough resources for monitoring and enforcement.
- Completely outdated, 1970s, permit and monitoring system. **Moving to a digital system was first discussed in CITES in 2002**, by 2019 only two countries were testing an electronic system. Now 19, with over 160 countries to go!
- **No supply chain transparency, no trade analytics, no proof of the sustainable use model**
- 2015 research into CITES trade data found only 7.3% of CITES permits were discrepancy free.
- John Scanlon, CITES Secretary-General from 2010 to 2018 recently commented on Boston's WBUR, ***“We have a paper permitting system which is a 50-year-old permitting system that's open to fraudulent use and corruption, whereas in 2023 we should have a fully automated system”.***





# Example - Elephant Skin Trade

**CITES permits  
export/import  
discrepancy:  
3,627 specimens of  
skin**



**Filters**

**Taxon** ⓘ  
Elephantidae ✕  
Taxon

**Date range**  
Maximum range is 10 years  
From: 2013     
To: 2022

**Unit** ⓘ  
Number of specimen:

**Importer** ⓘ  
United States of America ✕  
Importer

**Exporter** ⓘ  
Zimbabwe ✕  
Exporter

**Origin** ⓘ  
Direct ✕  
Origin

**Trade term** ⓘ  
Skins (SKI) ✕  
Trade term

**Source** ⓘ

## Reported by exporter—Zimbabwe

### Top Exporting Countries



1. Zimbabwe (4,246)
---------------------

## Corresponding Report by importer—USA

### Top Exporting Countries











1. Zimbabwe (619)
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# Example: Agarwood – Fragrance Oud

- CITES October 2022 meeting in Malaysia to discuss ways to make the trade in one of the world's most precious essential oils more sustainable.
- Continued concerns for the sustainability of the species and the continued illegal wild harvesting.
- The global LEGAL market for agarwood is estimated to be worth \$32 billion. By the end of 2029, the market is expected to double to \$64 billion.

 <p>The Peated Oud - 100% Pure Cultivated Fermented... Grandawood</p>	 <p>Royal Oud Flacon 500ml Creed Australia</p>	 <p>Creed Aventus Eau De Parfum Spray for Men, 100 ml Amazon AU</p>	 <p>Hugo Boss BOSS Bottled Oud Eau de Toilette, 100ml Amazon AU</p>	 <p>Fragrance Du Bois Sahraa Oud For Unisex Eau de Parfum ★★★★★ (4)</p>	 <p>COROMANDEL LES EXCLUSIFS DE CHANEL Eau de Parfum CHANEL</p>	 <p>100% Pure Cultivated Agarwood Oil (Oud)... Grandawood</p>	 <p>The Barntoxicante 100% Pure Oud Essenti... Grandawood</p>
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**All illegally harvested oud goes into legal market!**

# Land Use Conversion & Protected Areas

Until 1992 there were just 4 categories of protected area:

- I. Strict Nature Reserve or Wilderness Area
- II. National Park
- III. National Monument or Feature
- IV. Habitat or Species Management Area

Concerted push to add new categories, which allow extraction. By 2002 two new categories were adopted:

- V. Protected Landscape or Seascape, areas which have been culturally modified
- VI. Protected Area Managed, areas where resources extraction can occur

- The CBD passed the Kunming–Montreal global biodiversity framework in 2022, setting a goal of 30x30 – 30% of landmass and oceans protected by 2030 (**but what does this actually mean?**)
- Any conservation benefit from achieving this goal is unlikely to materialise, as most new areas designated as ‘protected’ allow commercial extraction of biodiversity (Category VI)
- **Extraction from Category V and VI may be stated as being ‘sustainable’, but too little monitoring is occurring (not mandatory, no funds).**
- **Australia:** Without the inclusion of categories V and VI, only 8% of the Australian landmass would be considered protected, very different from the 26% claimed by the government.

“ Some strange things happened as we approached the World Parks Congress in South Africa in September 2003. Publications of the IUCN began to characterize rice terraces, potato fields, Hyde Park and extractive reserves as ‘protected areas’ (Phillips 2002). ”

Rethinking protected area categories and the new paradigm (Locke & Dearden 2005)

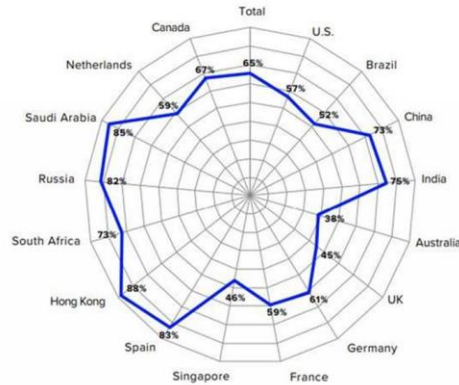
- UK: UK government claim that they already protect an area of 28% of the UK, whilst others claim it is just 5%.

# 50 Years Of Voluntary Governance Hasn't worked

THE REAL RISKS: HIDDEN THREATS WITHIN THIRD-PARTY RELATIONSHIPS

Figure 2.7: Illegal activities

Do you know or suspect any of your third-party suppliers or their suppliers have been involved in any of the following?



A substantial 65% of respondents know or suspect that third parties they conduct business with may have been involved in a range of illegal, environmentally damaging activities (Fig. 2.7).

15

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

**Only 16% say they would report it externally. Confirms why it is so easy to launder illegal product into the legal supply chain and marketplace.**

63% of respondents agree that the economic climate is encouraging organisations to take regulatory risks in order to win new business.



[https://www.refinitiv.com/content/dam/marketing/en\\_us/documents/reports/hidden-threats-within-third-party-relationships-2020.pdf](https://www.refinitiv.com/content/dam/marketing/en_us/documents/reports/hidden-threats-within-third-party-relationships-2020.pdf)

**We have been conditioned over this time to believe all regulation is bad – the pendulum has swung too far.**



# US Research on Illegal Imports to Country

- Between 2003 and 2013, luxury fashion brands had thousands wildlife derived products seized by U.S. law enforcement.
- Nearly 70 percent of which were exotic leather products - belts, watch bands, wallets, shoes, and purses.
- Reptiles accounted for 84 percent of all items.
- According to the official seizure records: Ralph Lauren accounted for 29% of the seized items, Gucci (16%), Michael Kors (10%), Jil Sander (6%), and Coach (5%).



## What was the outcome?

- Did these fashion brands decide to cover the cost of modernising CITES to a digital system? – Pocket change given their profits. **No.**
- Instead, they lobbied the US government for their company names to be redacted from FOIA requests, on the basis of commercial in confidence.
- Their request was granted, making transparency and trackability worse.

# Real Solution To Fix Wildlife Trade: 3-Steps

## Step1: eCITES Permit System

- First step is radical supply chain transparency
- Electronic permits only work to tackle the illegal trade if ALL countries adopt them and implement electronic permit exchange.

## Step 2: Industry Levy and Proof of Sustainability

- Industry gets all the benefits but does not contribute to costs – all profit, no responsibility approach.
- For equity reasons charges should be levied on importers, not exporters, when considering value chain.
- A 1% levy on the estimated trade value estimate would provide **US\$3-4 billion annually (compared to US\$6.2 million CITES currently receives).**
- **Proof of sustainable use need to be mandatory for all extraction from protected areas (paid for by the levy)**

## Step 3: CITES Reverse (Positive/White) Listing

- **Reverse Listing means default is NO TRADE.** Positive listing sets out ‘what is allowed’ - direct implementation of the Precautionary Principle.
- Puts burden of proof (of no harm) on those profiting from trade – industry would have to submit proposals for trade listings.
- **First proposed in a 1981 at CITES CoP 3 because the problems with CITES were already recognised.**



**It's time to take the SUS  
out of SUsustainability:**

1. Real-time supply chain transparency
2. 1-3% levy on the trade in endangered and exotic species to adequately resource the CITES regulator
3. Implement a reverse listing model, business must prove upfront that offtake levels are sustainable

**Modernise CITES because currently  
the SUsustainability Game is just SUS.**

# Taking The SUS Out Of SUStainability



**Any discussions of sustainability without the corresponding transparency is simply an ideology. Are we walking blindfold into a minefield?**

- In 1987, the UN Brundtland Commission defined sustainability as *“meeting the needs of the present without compromising the ability of future generations to meet their own needs.”*
- Based on the conclusions of the 2019 IPBES report, **what evidence do you see for sustainability?**
- **For the last two decades or more businesses have focused on producing glossy sustainability reports, paying for sustainability advertorials and supported the rise of sustainability editors, managers, directors etc. But while much has been written, little has provided any proof.**
- This is not about individual choice, particularly in the face the money invested to encourage people to spend.
- Dopamine Nation: Finding Balance in the Age of Indulgence. *“Wealthy nations have become vulnerable to compulsive overconsumption.”*



# Strategy and Systemic Solutions

## ASYCUDA eCITES

The eCITES solution has been developed to assist the [parties to the CITES Convention](#) that do not have access to an electronic permit management system to manage the trade in CITES-protected species in full compliance with the Convention. It enables:



  
Online recording of interactions  
between traders and  
government officials



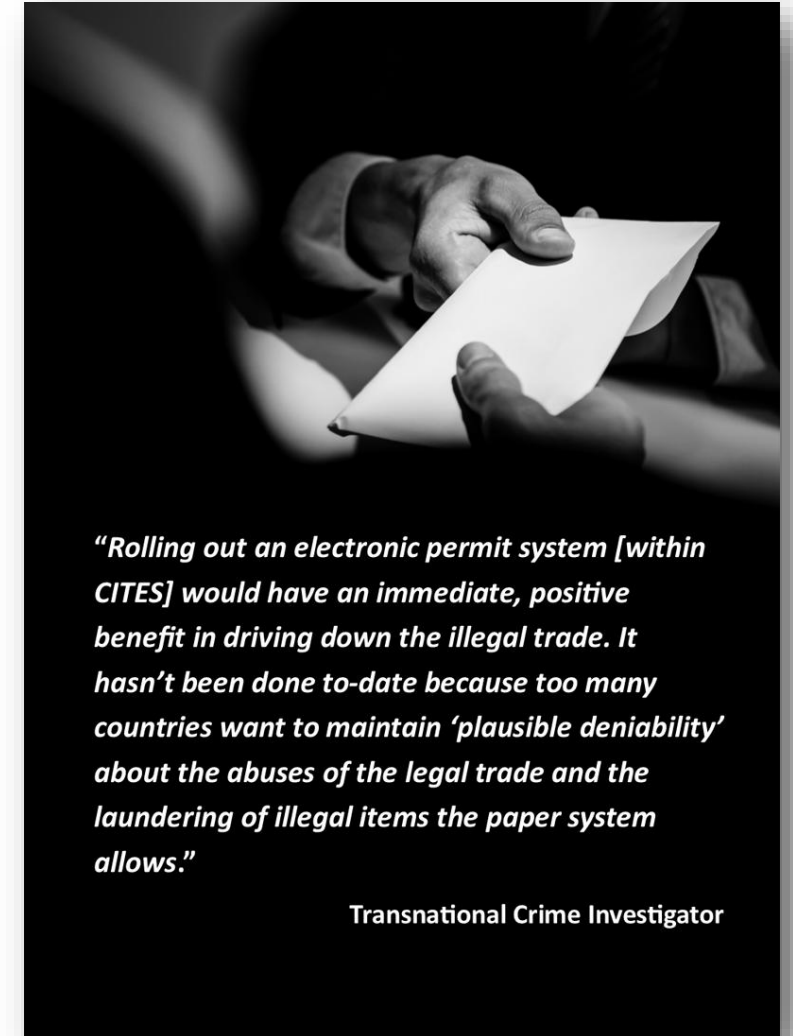
  
Access from any device  
with an internet browser

- To tackle biodiversity loss and the extinction crisis we need systemic change: We can't continue to do this one species, issue, park, country at the time because wild species don't have the luxury of time.
- CITES is outdated and no longer fit for purpose and land use conversion is continuing under the guise of protected areas.
- **It is time to demand radical transparency and proof of any sustainability claims/statements.**
- First step is to lobby for and fund global rollout of electronic CITES permits, electronic permit exchange, integration with customs and real-time reporting.
  1. We don't need innovation, blockchain or the latest and greatest IT fad to do this. A simple QR-code based permit system that works anywhere is enough.
  2. The necessary software solutions exist. UNCTAD ASYCUDA eCITES cost just US\$250,000 per country (implementation + 3 years support/hosting)

# Step1: eCITES Permit System

- Most CITES signatories still use 1970s paper-based permits which makes it laughably easy to obtain fraudulent export permits by using:
  1. Corruption
  2. Fraud (paper permits are easy to forge/alter)
  3. Reuse of permits (importing countries have no way to check at customs)
  4. Not enforcing export quotas (who is going to check and when?)
  5. Gaming the process which forms the basis of setting export quota
- This is a global problem, wealthy countries, such as the US, must take a lead in driving a global rollout of electronic permits.
- Total cost is less than US\$30 million for all remaining countries if ASYCUDA eCITES is used.
- 2016 World Bank report highlighted major donors gave US\$200 million to projects promoting sustainable use and livelihoods projects but as yet, in over a decade, no donor(s) have committed the US\$30 million to roll out eCITES.

## Why?



*“Rolling out an electronic permit system [within CITES] would have an immediate, positive benefit in driving down the illegal trade. It hasn’t been done to-date because too many countries want to maintain ‘plausible deniability’ about the abuses of the legal trade and the laundering of illegal items the paper system allows.”*

Transnational Crime Investigator







## Step 3: CITES 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/Positive 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 40,500 (and growing). The CITES system was left to expand and to grow unrestrained, to the point where there are too many species, not enough control and too few resources. **Everything the 1981 Australian submission warned would happen has happened.**



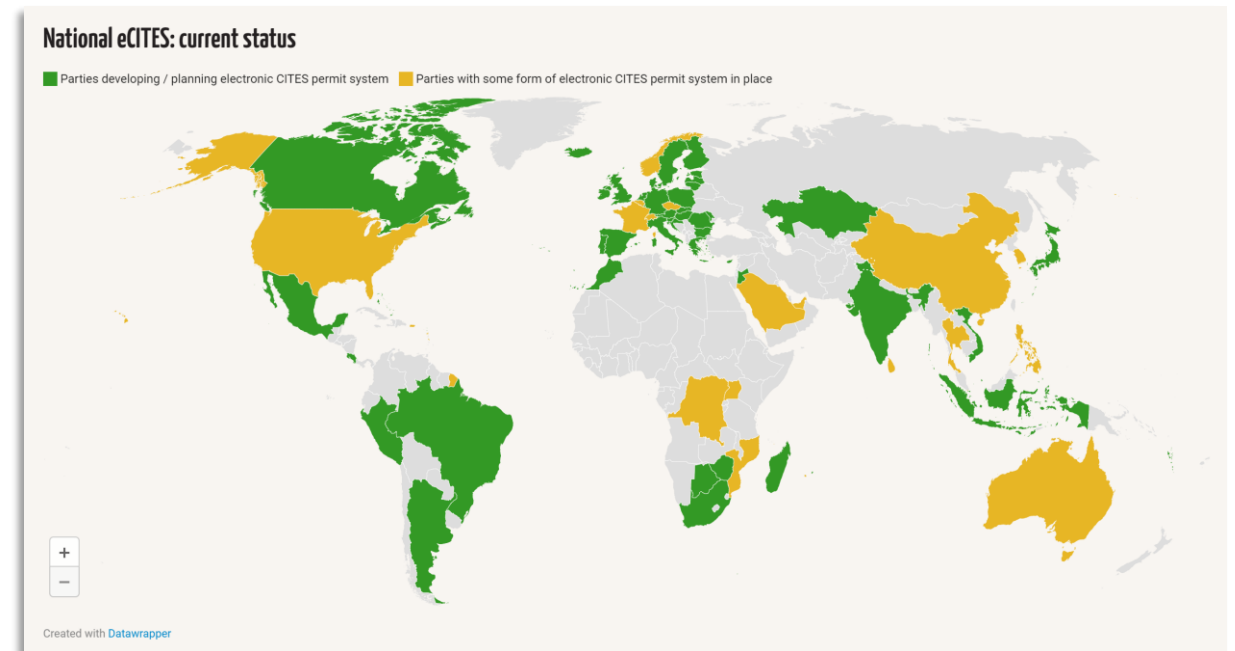
# Reverse (Positive) Listing – Why?

- 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 full cost of regulation**

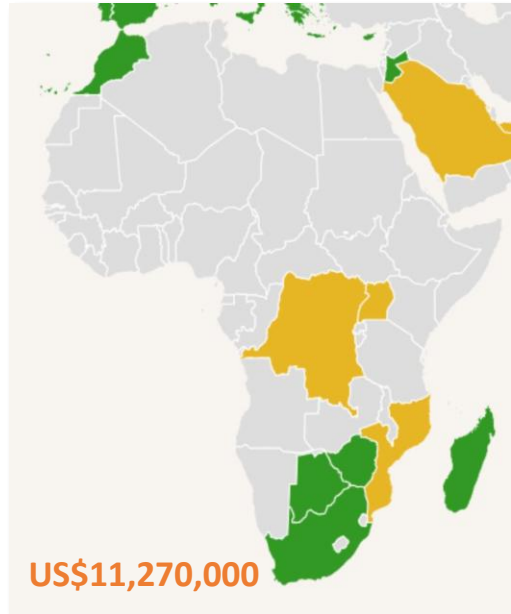


# Lobbying for eCITES Supply Chain Transparency

- We have lobbied CITES for the adoption of electronic permits since 2018. At the time only 2 countries were using CITES ePermits.
- In 2019 CITES re-established working group to drive adoption
- CITES published map for the first time in 2021
- Based on working group CITES adopted decision in late 2022 to urge global rollout of e-permits
- **Decision 19.150f encourages developing countries to ask donor countries for funding**



# eCITES Supply Chain Transparency Africa



- With US partner, *Active for Animals*, we have requested that the U.S. Government, via USAID, covers the cost of implementing the ASYCUDA *eCITES BaseSolution* in all remaining 49 CITES signatory countries in continental Africa.
- So just how much would this cost for these 49 countries?  
**Total: US\$11,270,000**
- We have written to US ambassadors in Africa, African ambassadors in US and President Biden
- We are in Washington for meetings with members of Congress and Senate, State Department, USAID, Office of US Trade Representative and World Bank and more.
- Currently USTR are negotiating a Strategic Trade and Investment Partnership Kenya. This includes **(2) anti-corruption, (4) environment and climate action, (5) good regulatory practices, (10) trade facilitation and customs procedures, and (11) services domestic regulation.**



One New York apartment: US\$25,000,000

# US – Kenya (EAC) Trade Agreements



- July 2023, US Trade Representative Tai met Kenyan President Ruto regarding a U.S. – East African Community (EAC) Trade and Investment Agreement.
- Areas of initial focus of the **Strategic Trade and Investment Partnership (STIP)** include **anti-corruption, digital trade, environment and climate action, good regulatory practices and trade facilitation and customs procedures.**
- Kenya received US\$710 million in US aid in 2021 (eCITES would add less than US\$250,000).
- In the upcoming CITES Standing Committee meeting in November **Kenya is likely to receive a formal warning from the CITES Secretariat** regarding the failure to adopt the necessary domestic legislation to implement the Convention to the required standard.
- Many countries in Africa have not met their full CITES treaty responsibilities, including **Algeria, Botswana, Comoros, Congo, Djibouti, Guinea, Liberia, Mozambique, Rwanda, Somalia and Tanzania.**
- All these countries are a part of the 49 that we have approached the Biden administration for funds to modernize their CITES export permit system.

**Rolling out a digital eCITES permit system would provide better governance and accountability in trade, while the problem with countries' domestic legislation is addressed, as this can obviously take years in some instances.**



# Next Steps



- Direct line to decision makers in government who are willing to look at the problem with new pair of eyes.
- If you would like to know more or would be interested in supporting this work, please contact Andrew.
- I am happy to speak to individuals / small groups offline.
- I'm in Washington until Oct 27 if you would like to meet in person/via Zoom.
- Contact details: [lynn@natureneedsmore.org](mailto:lynn@natureneedsmore.org)

**Thank you for the opportunity to introduce Nature Needs More and the Modernising CITES project**

# Detailed Information on Modernising CITES



June 2021: Researched regulatory models in other industries and the history of regulatory failures to draw conclusions about the suitability of the basic building blocks of the current CITES framework to demonstrate that if those basic building blocks remained in place, CITES cannot be effective and cannot arrest the decline in populations.

We then outlined a new regulatory framework for CITES.

Report produced in all official UN languages.

*Modernising CITES: A Blueprint for Better Trade Regulation. The report is available in all official UN languages – Arabic, Chinese, French, Russian, Spanish and English.*



# Detailed Information on Why This is a Big Business Problem

- Both overextraction of biodiversity and the illegal wildlife trade are a big business problem.
- Businesses have tried many strategies to prevent mandatory regulation to fix the trade. Voluntary Self-governance, Sustainability Reporting, Multi-Stakeholder Initiatives, Certification Schemes, Offset and Credit schemes, Green Finance for Nature etc.
- The 'solutions' have achieved nothing, it is time to call them what they are: **Phantom Solutions**.
- **The real solution is mandatory regulation (Modernising CITES) and fixing perverse incentives (harmful subsidies, tax loopholes etc.)**
- **Biodiversity loss can be reversed without abolishing capitalism!**

