

# Effect of Resumption of International Trade on Japanese Ivory Market

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## Summary

This report outlines research conducted into trends in Japan's domestic ivory trade following the resumption of international trade. It details instances of ivory smuggling, the implications of the low prices and the size in small scale of the recent imports on domestic trade etc. The report also looks into the working realities of the domestic ivory trade management system that the Japanese government claimed would regulate trade.

As a result of the research described above, this report contends that the down listing and the resumption of the international ivory trade has;

1. Stimulated the domestic marketing of and demand for ivory *hankos* (name seals) and also ivory accessories in Japan
2. Stimulated illegal trade in ivory destined for Japan

With regard to the Japanese governments ivory trade management system, contrary to claims made by the Japanese government that the system would work to regulate trade, this report contends that;

The system is incapable of differentiating the *hankos* of legally obtained ivory from those of illegal sources in retail market. It's because the system has no mechanism to keep whether products on sale correspondent to those recorded and it is unable to trace the movement of ivory products in trade without checking ledgers maintained by every manufacturer, wholesaler and retailer throughout the entire distribution system. Many retailers being unaware of their obligations under the management system are in non-compliance and do not even maintain ledgers.

The Japanese government has tolerated the ivory *hankos* retailer association to issue a sticker apart from "Certification Labels" issued by the government to show that all ivory processed in *hankos* with the sticker was legally obtained. The checking on the source of ivory processed in those *hankos* is not under any supervision of the government.

Furthermore, this report point out that the ivory management system only pertains to the ivory *hankos* trade while the trade in ivory accessories remains unmanaged. Given that small sizes of raw ivory unsuitable for *hankos* manufacture comprise a sizeable percentage of the recent import from the three African nations and will be traded as accessories, this report contends that there is an urgent need to revise the Japanese governments management system.

In conclusion, the downlisting of 3 nations' populations of African elephant must be said a failure and those populations must be transferred from Appendix II to Appendix I. Also, downlisting of any other population must be avoided at this stage.

# Chapter : Impact of ivory trade resumption upon the trade in and demand for ivory in Japan

## 1 Analysis of demand for ivory in Japan

**D**emand for ivory in Japan was greater than in any other country in the world during the 1970s and 1980s with. Ivory is used mainly as the raw material for name seals, or *hankos*. \*

*\*Footnote – In this document the term hankos is used for all name seal products, including semi-processed or rough-cut seal blocks and name seals before engraving (generally known in Japan as *inzai*.)*

At the meeting of Conference of the Parties of Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES) in 1989 a decision was made to uplist the African elephants in CITES Appendix I thereby banning international trade in ivory. This decision combined with the long-term economic recession within Japan has resulted in the relative stagnation of domestic marketing of ivory products including *hankos*. (Sakamoto 1999) As marketing declined so did popular demand.

Nevertheless, a significant volume of ivory *hankos* is traded still today, and there exists a potential demand that may prompt further marketing. (Sakamoto 1999) The main factor which has maintained such potential demand in Japan is a kind of public ‘belief’ in ivory as a status symbol, an idea that developed during Japan’s period of rapid economic development. Various raw materials are used for making *hankos* but ivory is the most profitable raw material, and hanko dealers have always emphasised the high status value of ivory to consumers. A handful of import/manufacturing/wholesale dealers continue to stimulate and maintain the demand for ivory and are assisted in their efforts by the Japanese Government (the Ministry of International Trade and Industry (MITI)), which sees the well-being of the ivory industry as a matter of national policy. Since the ban on international ivory trade, MITI has financially supported the ivory industry in the form of subsidies called the ‘ivory industry relief fund’. Budgets of JPY339,829,000 (US\$3,236,466) and JPY311,932,000 (US\$2,970,780) were proposed by MITI in FY1997 and FY1998 respectively, under the name of ‘relief fund for *bekko* (turtle shell) and other industries’. Among other things these funds are used to subsidise “overseas visits by experts aiming at the resumption of the ivory trade.” (MITI 1999)

Currently the consumer demand for ivory *hankos* in Japan is relatively suppressed. The reason for this is thought to be that the stock of cheaper ivory *hankos* is running short, while consumers are becoming less willing to purchase expensive goods. Also, among general consumers the image has been established to some extent that ivory cannot or should not be purchased since the international trade ban. Therefore, hanko dealers have been longing for a supply of lower priced ivory *hankos* as well as a good reason to justify promoting the sale of ivory *hankos*. (Sakamoto 1999)

Even if it was supposed to be a one-off event, the resumption of ivory import along with the downlisting of the African elephant populations in the three southern African countries provides a justification to publicise ivory import and sale of ivory hankos. Moreover, as the import price was low, cheaper hankos could be made out of the imported ivory, which might reactivate the market for ivory hankos. And if the demand for ivory is thus stimulated by the low priced products, consumers' taste and demand for expensive, more luxurious ivory products could also be revitalised. This could in turn lead to a significant increase in demand for both low and high quality ivory, including ivory of the Asian elephant (*Elephas maximus*) and of the so-called forest elephant (*Loxodonta africana cyclotis*) which lives in the forests of Central and West Africa. (Sakamoto 1999)

## 2 Impact of the resumption upon the domestic ivory marketing and demand

### (1) Ivory import from three southern African countries

On July 16<sup>th</sup> 1999 ivory was imported to Japan from Botswana, Namibia and Zimbabwe.

The quantities and import prices of the ivory are as shown in the Table 1.

Table 1 : The quantities and import prices of the ivory

	Total weight	Approx. nos. of tusks	Average tusk weight	Import price (JPY / US\$)	Price per kg (JPY / US\$)
Botswana	17,168kg	1,800	c.9.5kg	207,955,000 / \$1980,520	12,112 / \$ 115
Namibia	12,359kg	2,500	c.4.9kg	83,401,000 / \$ 794,295	6,748 / \$64
Zimbabwe	19,912kg	1,300	c.15.3kg	247,125,000 / \$ 2,353,571	12,410 / \$118
Total	49,735kg	5,600	c.8.8kg	542,322,000 / \$ 5,164,971	10,904 / \$ 103

Source: Monthly Trade Statistics, Ministry of Finance; The numbers of tusks from *Gendai Insho* July 1999 (US\$1=105JPY)

The total import from the three countries is compared with Japan's ivory import since its peak year 1983 in Table 2.

Table 2 : The total import from the three countries

Year	Total weight	Nos. of tusks	Average tusk weight	Import price (JPY / US\$)	Price per kg (JPY / US\$)
1983	475,666	-	9.73kg	7,106,999,000 / US\$67,685,704	14,941 / US\$142
1984	473,782	-	10.53kg	7,590,958,000 / US\$72,294,838	16,022 / US\$152
1985	286,529	-	-	5,766,127,000 / US\$54,915,495	20,124 / US\$191
1986	79,122	-	13.77kg	1,536,848,000 / US\$14,636,647	19,423 / US\$184
1987	142,984	-	12.17kg	3,117,665,000 / US\$29,692,047	21,804 / US\$207
1988	105,620	-	10.58kg	2,959,916,000 / US\$28,189,676	28,024 / US\$266
1989	99,168	-	-	3,690,658,000 / US\$35,149,123	37,216 / US\$354
1999	49,735	c.5,600	8.8kg	542,322,000 / US\$5,164,971	10,904 / US\$103

Source: Monthly Trade Statistics, Ministry of Finance; The numbers of tusks from *Gendai Insho* July 1999; the average tusk weight from Milliken 1989; US\$1=105JPY

Given the data in the above tables the following observations can be made regarding the ivory import of 1999.

First, what is notable is the low price per kg. It is low compared not only to the prices just before the trade ban but also to those in 1983-1984, the peak period of ivory import to Japan. Even ivory from Zimbabwe, the average weight of which was over 15kg per tusk, was priced lower than import prices in the past when the average weight of imported tusks was even lower.

Judging from the above figures, even considering various external factors such as foreign exchange rates, it can be concluded that in the recent trade resumption the ivory was purchased for significantly low prices.

Secondly, the average tusk weight of the total import is very light (8.8kg). Tusks from Namibia contributed to the lowering of the average weight.

While the average tusk weight of ivory traded world-wide was 4.9kg in 1987 (less than half compared to the 10.1kg average traded in 1979 (TRAFFIC 1989), Japan's raw ivory trade has consistently targeted large-size tusks.

**(2) Impact of the resumption upon prices, marketing volumes, and consumers' perception regarding purchase of ivory *hankos***

One question that bears consideration is whether it is appropriate to assess the impact of the downlisting and the resumption of the trade to ivory markets on the basis of current market price.

Each tusk imported as a result of the recent trade resumption has to be registered with the Japanese government, if it is to be traded between importers and manufacturers before processing. Following the import in July 1999, actual processing and other transactions are likely to have taken place only after September at the earliest, and it has been only a short time since the newly imported ivory began to be marketed in Japan.

Two other facts should be taken into consideration for discussion regarding market prices. Firstly, the ivory dealers who took part in the recent import were major manufacturers and wholesalers. These people have been controlling the ivory market in Japan, Secondly, the recent import was meant to be an experiment.

It can be easily inferred that, irrespective of the demand from the retail level, those dealers who have now secured new ivory stocks would try to sell their ivory without lowering the domestic market prices. In order to do this they are emphasising the fact that it was a one-off import and furthermore are limiting the amount of ivory entering the market. The dealers will decide how they should deal in their ivory in Japan depending on the outcome of CITES COP11, which may indicate whether ivory import becomes a regular event or not in the future.

If this is the case, it is unlikely that the recent ivory trade resumption has made any direct impact upon the ivory prices in the domestic market at this stage. It is our contention, therefore, that it is not appropriate to assess the trend in ivory marketing in Japan by analysing the current market prices.

Instead we will attempt in this report to assess the impact of the trade resumption on the domestic ivory market by observing the recent activities / movements of the ivory industry, which have taken place following the resumption of trade.

In December 1999 the ivory industry association which consists of traders and manufacturers opened the Ivory Craft Centre. This facility, which is open to the general public, is located in a tourist spot in Tokyo, which is famous for its traditional culture. On display here are ivory crafts and the industry association's position statement, and there are also demonstrations of ivory carving. The purpose of this Ivory Craft Centre is to persuade general consumers of the justice of the ivory trade resumption.

Following the trade resumption, an affiliated organization of a nation-wide organisation of Hanko retailers named "Zen-Nihon Insyo-gyo Kumiai Rengokai" created its own "Ivory Mark" sticker apart from the "Certification Label" issued by the Government and has started a campaign aimed at persuading member dealers to use of the stickers on ivory hanko. The sticker states: "Contributing to conservation of wild fauna and flora in the world". By means of posters and so on, the Federation is also claiming that products displaying the "Ivory Mark" sticker are proven to have come from a legal source. Problems caused for Japan's ivory trade management system by this campaign are discussed in the following chapter 2,2, (2).

The "Ivory Mark" is also publicised on the Federation's homepage, where the resumption of the ivory trade after the ten-year interval is explained. The homepage states that "Ivory is the best material for *jitsuin* (a type of hanko) which can be used for life" adding, "Why don't you make ivory *jitsuin* on this occasion?"

In one prefecture, members of the Federation's local branch unanimously decided to promote the sale of ivory hankos following the trade resumption. Here prices of ivory hankos have already been depressed and the ivory *hankos* PR campaign began with banners proclaiming that "In March 1999 the trade in ivory has reopened. Buy ivory *hankos* from our registered shop." It is expected that this kind of "trade resumption" sales campaign combined with reduced prices of ivory hanko will begin elsewhere too. (*Gendai Insho*, February 2000)

From July to November 1999 one of the largest dealers who imported ivory this time held a special sales campaign with reduced ivory *hankos* prices, to "commemorate the ivory import to Japan after a ten-year interval." (*Gendai Insho* October 1999) However, most of the ivory hanko offered in this sales campaign were from stocks imported before the resumed 1999 import. Other dealers are also advertising their "ivory trade resumption commemoration sale" in major Japanese newspapers.

While cheap ivory products are being advertised, sales of luxurious ivory products, such as ivory *hankos* with gold inlay, have also started. (*Gendai Insho* January 2000) Today within the hanko industry the necessity for developing high-value luxurious ivory products is repeatedly being stressed.

Judging from such movements in the ivory industry (manufacturers) and the *hankos* industry, it can be inferred that the recent trade resumption may be contributing to reducing the marketing price of ivory *hankos* to some extent, while manipulating consumer's image of ivory products. Also, the industry appears to be feeling the necessity for restoring consumer appreciation of high-value ivory *hankos*.

### **(3) Impact of the resumption upon marketing of and demand for ivory accessories**

As previously mentioned, the size and weight of the raw ivory imported in the recent trade is generally small and light. The tusks from exporting nations Botswana and Namibia are overall smaller than those imported from 1983 (the peak of ivory import to Japan) to the year when the import was banned. (NOTE: no data for 1985). The difference in tusk size is particularly noticeable when it comes to tusks imported from Namibia in 1999 compared to tusks imported before the international trade ban. (See Tables 1 and 2)

When manufacturing ivory *hankos*, larger ivory pieces yield less scraps, and more *hankos* than might be expected from the raw ivory weight. (Martin 1985) According to an ivory *hankos* manufacturer, the minimum size of raw ivory to manufacture ivory *hankos* efficiently is about 7 or 8 kg. (*Gendai Insho*, June 1999 issue) One major ivory *hankos* manufacturer, who imported ivory in the recent international trade, stated that 40% of the ivory traded was inappropriate for *hankos* manufacture and that he was not at all satisfied with the quantity available that was suitable for ivory *hankos*. (*Gendai Insho*, November 1999 issue). High quality *hankos* is manufactured from the parts near the core of the tusk and the quality of ivory hanko manufactured from the parts near the surface of the tusk is regarded as low. High-grade *hankos* cannot be manufactured from small tusks. (Sakamoto 1999)

For this reason, much of the ivory imported in this recent trade (40% based on the assessment of the above-mentioned manufacturer) will inevitably be used for products other than *hankos*. Before the international trade ban small imported tusks were exported to overseas' manufacturing facilities in Hong Kong and elsewhere (details discussed later in this report). However this time the export of the imported ivory is prohibited (Decision 10.1), which means there will be no use for any of these small tusks other than as raw materials for fashion accessories etc. manufactured inside Japan.

Judging from the fact, it can be inferred that the resumption may be contributing to stimulation of the marketing of and demand for ivory accessories.

### 3 Recent illegal import of ivory into Japan

#### (1) Recent smuggling cases recorded in the customs statistics

If a person is found attempting to import ivory without any permission, the customs office suspends the import as a violation of the Customs Tariff Law. If the scale of the violation is relatively insignificant, the customs office makes the person “voluntarily abandon” the ivory (as there exists no legal prescription of final confiscation by customs office). No penalty is applied.

On the other hand, when significant quantities of an illegally imported item are discovered by customs officers, the offender receives an “penalty based on administrative acts”. In extreme cases police is called in and should their investigations warrant it, criminal trials result.

The number of cases where ivory import was intercepted at customs without penalty based on administrative acts applied is as follows:

Table 3 : Smuggling of ivory with no administrative action

FY	No. of cases
1997	21
1998	15
1999	13

Source: Ministry of Finance

13 cases in 1999 include two cases of raw ivory and 11cases of processed ivory including *hankos* or sculptures.

The above table shows that in last three years some 10-20 cases of attempted ivory imports were intercepted every year and that in two cases, even raw ivory smuggling was attempted.

Table 4 shows the number of offences that occurred between 1994 and 1999 of sufficient significance to spur penalty based on administrative acts by customs office (including those, which police were called in). The description of each case is given in Table 5.

Table 4: Number of cases where penal measures were taken based on the Customs Law

FY	No. of cases
1994	6
1995	1
1996	3
1997	2
1998	3
1999	2
Total	17

Source: Ministry of Finance



Table 5: Description of the incidents in Table 4

Year	Kinds of imported ivory	Quantity(piece)	Country of origin
Case A 1994	hankos	15	Singapore
Case B 1994	hankos	119	Taiwan
Case C 1994	hankos	18	Singapore
Case D 1994	sculpture et al	39	HongKong
Case E 1994	sculpture et al	80	Taiwan
Case F 1994	sculpture et al	23	Taiwan
Case G 1995	hankos	1	Taiwan
Case H 1996	hankos	1	Taiwan
Case I 1996	hankos	13,800	Singapore
Case J 1996	sculpture et al	22	China
Case K 1997	raw ivory	5	Ivory coast
Case L 1997 *	hankos	13,800	Singapore
Case M 1998	hankos	100	China
Case N 1998	sculpture et al	3	Canary Islands
Case O 1998	sculpture et al	145	HongKong
Case P 1999	raw ivory	2	Senegal
Case Q 1999	hankos	1,200	HongKong

\* An accomplice of Case I in 1996 accepted the penalty based on administrative acts

What is remarkable about these cases is that in 1999, the second largest case of smuggling of *hankos* was exposed since the smuggling case of hanko blanks in 1996. It is safe to say that smuggling of *hankos* is constantly happening.

Secondly, in 1997 and 1999 attempts were made to illegally import raw ivory into Japan. In order to market it has to be processed using specialist techniques. Therefore it is highly likely that some ivory manufacturers are involved in such smuggling operations.

All these major smuggling incidents took place after 1997 when elephant populations of the three southern African countries were downlisted.

## (2) Other information on ivory smuggling

Apart from the above cases of smuggling discovered in Japan, there have been reports from outside the country which indicate the on-going illegal international trade in ivory destined to Japan.

It is reported that in the People's Republic of Congo a large number of elephants (forest elephants) are being poached in the north and near the border with Cameroon. (Nishihara 2000a, Nishihara 2000b, Madzou 2000) And a large amount of raw ivory, ivory carvings and accessories is available in the capital Brazzaville. (Madzou et al 1996, Madzou 2000)

Madzou reports that most local ivory dealers and carvers know about the resumption of ivory trade from the

three southern African countries. (Madzou 2000) According to the largest art dealer in Brazzaville who has dealt in ivory for 15 years, since the ivory trade resumption he has been enjoying good business. There is a Japanese person in Kinshasa of the Democratic Republic of Congo (formerly Zaire), who is waiting for phone calls to inform him of large stocks of ivory arriving in Brazzaville, which is on the other side of the river. As soon as he gets such information he comes across the river to a pre-appointed place. Ivory is weighed here. The minimum acceptable weight is a little over 10kg. The price of ivory is generally classified into three categories according to the tusk weight (below 5kg, 5-14kg, and over 15kg). The heavier the tusk is, the higher it is priced. (Madzou 2000) Japanese dealers have always selected large tusks for import. (Martin 1985) This is especially true for ivory intended as raw material for *hankos*. (Sakamoto 1999) This probably explains why this Japanese person in Kinshasa is so particular about the size of tusks.

It is also reported that those who bring ivory to art dealers are military officers or other individuals who are well connected with the past or current regimes.

It is not known where the ivory bought by this Japanese citizen is destined, but the most obvious guess would be that it is going to Japan.

In another case, 420kg of processed ivory was seized in Paris in December 1990. This ivory was reportedly en route from Rwanda to Japan. (HSUS 2000)

#### **4 Conclusion**

It can be inferred that the downlisting and the resumption of ivory trade have been stimulating illegal trade in ivory as well as the domestic marketing of and demand for ivory *hankos* in Japan, judging from new supply of raw material from 3 southern African countries with low prices, the movements in the ivory industries, the trend of ivory smuggling into Japan after downlisting and the information about illegal ivory destined to Japan.

Also, it can be inferred that the resumption may be contributing to stimulation of the marketing of and demand for ivory accessories, judging from the quality of the imported ivory unsuitable for manufacture of *hankos* particularly.

In conclusion, the downlisting of 3 nations' populations of African elephant must be said a failure and those populations must be transferred from Appendix II to Appendix I. Also, downlisting of any other population must be avoided at this stage

## **Chapter II : The working condition of the Domestic Ivory Trade Management System in Japan and related problems**

### **1 Summary and defects of the Domestic Ivory Trade Management System**

#### **(1) Summary of the Domestic Ivory Trade Management System (enforced in March of 1999)**

**T**he management of the domestic ivory trade is regulated in The Law for the Conservation of Endangered Species of Wild Fauna and Flora ( LCES).

According to the ivory trade management system set up in Japan, every whole tusk traded must be individually registered with the Japanese Government. It is not necessary, however, to register ivory products such as cut pieces.

Traders in cut pieces, in other words manufacturers and traders in finished *hankos* are obliged to take the following three measures.

- To register their business (name and address of the trader as well as the name and address of the business)
- To obtain information as to where the cut pieces and *hankos* come from each time a transaction occurs
- To record details of all transactions in a ledger

Traders must submit to on-the-spot inspections by government officials and should they have failed to fulfil the above three requirements they may be liable to punishment.

#### **(2) Defects of the Domestic Ivory Trade Management System**

It is necessary for a system to be established that can distinguish between legally and illegally obtained ivory products. (Panel 1997)

However, under the current system it is impossible to differentiate the *hankos* of legally obtained ivory from those of illegal sources in retail market. It's because the system has no mechanism to keep whether products on sale correspondent to those recorded and it is unable to trace the movement of ivory products in trade without checking ledgers maintained by every manufacturer, wholesaler and retailer throughout the entire distribution system.

Although the Government has entrusted the duty of trade monitoring to the Japan Wildlife Research Centre (JWRC), the JWRC does not have a database capable of tracing the whole trade from manufacturers to

retailers. Nor is it practically possible to input the huge volume of data that would be necessary if every dealer was to be recorded.

Under the current system it is impossible to distinguish between illegally and legally obtained ivory products and it is therefore impossible to exclude illegal products from the domestic market.

### **(3) Manufacturer's Voluntary Initiative System (enforced in June of 1995)**

Manufacturers have the option of voluntarily submitting a "Management Cards" describing where the ivory they are cutting and processing comes from. Upon receipt of this card the Government will issue "Certification Labels" (stickers) which can be attached to the products listed in the "Management Cards". The "Certification Labels" when attached to a product guarantees that it has been made from ivory obtained in conformity with the provisions of CITES.

Few retailers however have attached "Certification Labels" to their products (TRAFFIC, 1997). According to recent JWCS research outlined below, some retailers stated that there was no longer a need to attach "Certification Labels" to their ivory products.

## **2 The working condition and problems of the Domestic Ivory Hankos Trade Management System in Japan**

### **(1) Current working condition of the Domestic Ivory *Hankos* Trade Management System**

JWCS executed the following research in order to see how the domestic ivory *hankos* trade management system is working.

- Period: November 1999 to March 2000
- Method: Visited ivory *hankos* shops and questioned the employees.
- Sampling: Conducted random sampling from ivory hanko shops located in Tokyo's 23 wards.
- Questions: If they understood that they were legally obliged to register their businesses and understood the 1999 legislation. And had they registered their business.

If they understood that they were legally obliged to maintain trade ledgers and understood the 1999 legislation. And were they actually maintaining trade ledgers.

The questions to retailers were kept simple because preliminary research conducted by JWCS indicated that many retailers have a poor understanding of this system and it is impossible to ask them comprehensive and

complex questions. The results of the questions are shown in Table 6 and 7 below. More detailed results including highly important items are separately attached.

Table 6 : Status of the obligatory business registration

	Those who have definitely registered.	Those who have probably registered their business (with the possibility that they have confused the most recent management system with the 1995 management system).	Those who have definitely not registered their businesses.	Those who are probably not registered due to a lack of understanding about the registration obligations.
Numbers	6	2	2	5
%	40%	13%	13%	33%

Table 7 : Status of obligatory ledger keeping

	Those who maintain records in the ledger.	Those who probably maintain ledgers (with the possibility that they mix ivory ledger entries with records of general product sales).	Those who do not maintain ledgers.
Numbers	2	2	11
%	13%	13%	73%

As you can see from Table 6, only 40% of retailers have definitely registered their business. Even if we include the number of shops who we estimate have probably registered their business, the figure exceeds just 50%.

Regarding the legally obligatory maintenance of trade ledgers, only 13% of retailers are keeping ledgers. Even if we include the number of shops who we estimate are probably maintaining ledgers, the figure climbs to just 26%.

From these results, it is very clear that the domestic hanko trade management system is not working well at the level of retailers. If you drop in at any hanko shop anywhere in Japan this fact will be obvious.

The reason why the system is not working is clear. Most retailers do not understand about this system, due to lack of information and explanation. Furthermore there is a basic lack of consent to this system among retailers. Generally speaking, retailers are not particularly aware they are the objects of the regulation. Some retailers informed JWCS that they felt they do not need to do anything after their business registration because they believe that their wholesalers or the *hankos* retailers organization which means “Zen-Nihon Insyo-gyo Kumiai Rengokai” are managing the products they are trading.

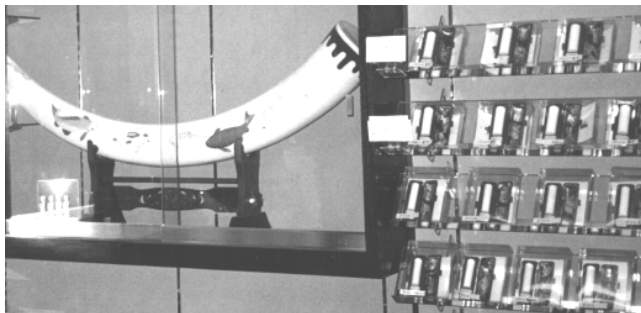
Here are some notes regarding the lack of information and explanation:

One problem exists regarding retailers who do not belong to the Federation. These retailers obtain trade information mainly from their wholesalers. As one retailer stated, he has no information on ivory trade regulation measures because he is not a member of the federation. This problem is widespread.

The number of members of the Seal Industry Federation in 1998 fiscal year was only 3,569 (Gendai Insho, October 1999 issue), and the number of the membership shops is just 3,200 (Gendai Insho, January 2000 issue). The number of the membership shops is only 30% of those individuals who registered their business (11,500). The rest 70 % retailers are outsiders never taken care by the Federation.

While controlling ivory trade among non-members of the Federation is difficult, it is also apparently difficult to control members of the Federation.

The Federation is a nation-wide organization and supervises nine (9) blocks as well as the local and prefectural organisations belonging to each block. The ivory *hankos* trade management system was introduced on the assumption that this organised system was functioning well. If it is not functioning well it is practically impossible to control the huge number of retailers involved in the ivory trade. Ivory business registrations (legally obligatory) are collected by each block and prefectural organization to be submitted to the local bureau of Ministry of International Trade and Industry (MITI).



However, Ehime Prefecture's organization which consisted of 40 members left the Federation in 1999. Since then many other prefectural organisations have discussed breaking up the organization or leaving their supervising organization. This is mainly due to financial problems of the prefectural organisations, but is partly because of the

failure to obtain consensus on the part of prefectural organisations to the "Ivory Mark". (Gendai Insho, July 1999 Issue). The "Ivory Mark" and the "Certification Labels" will be discussed later in this report.

JWCS research also found that it is not uncommon for ivory *hankos* shops to receive orders to carve *hankos* that the customer calls souvenirs from overseas (China, Thailand, etc.) Among 15 shops we questioned in the research, 2 shops willingly provided the above information besides answering our other questions. From this fact it can be surmised that smuggled ivory is every day put on the market for users and retailers. It seems that retailers naturally do not record such orders in their ledgers. (See shop F in the attached table)

It is by no means rare to see such smuggled ivory.

In March, 2,000, JWCS saw ivory seals on sale at a Chinese Products Exhibition held in a JR (state-owned) railway station by a Japanese trading company. Some 10 ivory *hankos* were exhibited on the counter. One or

two were square and others were round with a length of 60 mm and diameters of 15 mm and 18 mm. Prices ranged between 10,000 yen and 20,000 yen (the highest price was for the 18 mm diameter *hankos*). These prices are cheaper than those at ivory *hankos* discount shops in Japan. At this exhibition the traders were inviting orders for carving. Ivory sold at this kind of exhibition and on-the-spot sale is almost certainly smuggled.

**(2) The government's tolerance for the campaign taken by industry that undermine the effectiveness of the management**

Under the terms of the current ivory trade management system maintaining trade ledgers is the only action that is legally obligatory. By contrast the scheme for affixing "Certification Labels" started in 1995 is entirely voluntary. However this system is based on the LCES and the Environment Agency and MITI are the authenticating authorities (entrusting the duty to the Japan Wildlife Research Centre). The scheme was theoretically expected to function as follows. The 'eco-friendly' label was expected to attract consumers. Retailers in their turn would be rewarded by more sales and would logically choose "Management Card" eligible for such labels thereby putting economic pressure on manufacturers to actively prepare "Management Card". In short, the mechanism claimed would prompt ivory dealers to establish a system of voluntary trade management by offering them a carrot in the form of increased trade.

However, "Zen-Koku Insho-gyo Dantai Kyogikai", which is the affiliated organization of the Federation or "Zen-Nihon Insho-gyo Kumiai Rengokai", issued their own label called the "Ivory Mark" and started to sell products labelled with the "Ivory Mark".

The purpose of this "Ivory Mark" is to show that all ivory stocks of the Federation are legally obtained. (Gendai Insho, February 1999 Issue). The "Ivory Mark" was attached not just to products that had not been applied for the Government's "Certification Labels" but also to products that had failed to be granted the Government's "Certification Labels". (Gendai Insho, March 1999 Issue)

Although the "Ivory Mark" is a system independently set up by the *hankos* industry it must have been executed according to the guidance and with the understanding of Government in the form of MITI. Indeed the hanko industry publication itself states that this was the case. (Gendai Insho, February 1999 Issue)

The design of this "Ivory Mark" is similar to that of the "Certification Labels". It portrays a tusked elephant's profile, the name of the "Ivory Mark" issuers and the phrase "Contributing to conservation of wild fauna and flora in the world". Under the elephant's profile, the date of 18 March 1999, is shown. This is the date when the current domestic ivory trade management system was enforced. Initially the draft label also carried the official logo of CITES making the "Ivory Mark" so similar to that of the Government issued "Certification Labels" that it was difficult to distinguish any difference in the two designs even when placing them side by side. (Gendai Insho, February 1999 Issue).

On a poster promoting the “Ivory Mark”, the Government’s “Certification Labels” printed along with the “Ivory Mark” which is printed lower down. The poster’s catch phrase reads, “Do you know these marks of safety? Both of them prove that ivory products have been legally obtained”.

Moreover, the “Ivory Mark” is being distributed to people who are not members of the Federation through wholesalers. (Gendai Insho, April 1999 issue)

The effect of the “Ivory Mark”, in short, is to completely undermine the Government’s “Certification Labels” scheme.

Although the “Ivory Mark” is used to show that all ivory processed in *hankos* with it was legally obtained, the checking on the source of ivory processed in those *hankos* is not under any supervision of the government.

Although from the beginning JWCS insisted that the “Certification Labels” labelling system was fundamentally flawed because it ignores the reality of consumer behaviour, the Japanese Government and *hankos* industry, insisted that the “Certification Labels” system would be effective. Ironically, the Government or MITI has tolerated the campaign by the industry then destroyed the scheme they had claimed worked so well.

The problem of the “Ivory Mark” typically shows that the Domestic Ivory Trade Management System established by the Japanese government exists in name only.

### **3 The necessity of the Domestic Trade Management System for other ivory products besides *hankos***

#### **(1) The use of ivory imported in the 1999 international trade as raw material**

As previously mentioned, given the strong possibility that many tusks imported from the three countries this time will be processed for fashion accessories etc because of the size in small scale, it will also be necessary to strictly control the domestic trade of ivory accessories.

Before the 1980s, Japanese manufacturers could just select and buy large pieces of raw ivory. However, this time manufacturers had to buy both big and small tusks due to the tie-in sale at auction. If this combination sale becomes common in the future international trade, manufacturing and marketing of small tusks to be used only for accessories will be increased.



## **(2) Market for non-*hankos* ivory products including fashion accessories**

Besides ivory *hankos*, there are many other ivory products such as accessory (necklace, brooch, etc.), engraved ornaments, chopsticks, Netsuke carvings, parts of Japanese musical instruments, piano keys etc. Among these products, accessories for foreign dresses are most common and popular among consumers. The demand for ivory accessories showed an upward in 1980. (Martin 1985)

Both before and after the international trade ban, ivory accessories were continuously manufactured in Japan. Some ivory manufacturers deal mainly with accessories. Before the international trade ban, it was said that 2/3 of raw ivory needed for fashion accessories was imported from overseas and 1/3 was made from scraps resulting from hanko manufacture. (Milliken 1989)

Meanwhile, according to a dealer in ivory accessories, before the international trade ban in 1989 more than a few Japanese dealers based their manufacturing facilities overseas. It was well known that non-Japanese dealers were manufacturing ivory products in Hong Kong. Such overseas manufacturing facilities used the small tusks and the ivory scrap waste from Japan's *hankos* manufacture which was exported from Japan as well as ivory obtained elsewhere. Between 1979 and 1988, an annual average of 44 tons of ivory scraps and 289 tons of raw ivory was exported from Japan (TRAFFIC, 1997) The destinations of the exports are mostly Hong Kong and Taiwan. According to an ivory accessory dealer, after the international trade ban, those manufacturing facilities were closed and ivory accessories were manufactured in Japan. Since manufacturing in Japan entails considerable expense it is not as economically efficient.

While manufacturers wholesale the ivory accessories they manufacture to retailers such as department stores, there are many cases where wholesalers who don't manufacture any ivory products sell the ivory accessories they buy from manufacturers to retailers such as department stores, fashion accessory shops, and boutiques. While there are wholesalers specialising in department stores, there are others specialising in fashion accessory shops. For example, one wholesaler in Tokyo holds an annual exhibition where many retailers from all over the East Japan area are invited to come and buy the displayed fashion accessories. These wholesalers are classified into two kinds. One deals with all kinds of fashion accessories and the other is a specialist dealing with only one kind of material- ivory, hawksbill turtle shell ("*bekko*"), amber, coral, or pearl, etc.

In short, as is the case with ivory *hankos* trade, wholesalers and retailers who do not manufacture ivory fashion accessories are nonetheless participating in the marketing of such goods.

## **(3) Defects of the Domestic Ivory Trade Management System**

As mentioned in (1), it is necessary to strictly control the domestic ivory accessory trade. As mentioned in (2), on the assumption that wholesalers and retailers who do not manufacture accessories are participating in marketing of ivory accessories, the management system should be applied to both wholesale and retail transactions involving ivory accessories.

However, as previously mentioned (Sakamoto 1999 and etc.) only the ivory hanko trade is the object of control under the current system. Therefore the current system is defective considering the actual market situation of ivory products. This defect of the Domestic Ivory Trade Management System had not been noticed so seriously before the recent ivory import from the three South African countries though JWCS have insisted that it should be recognised. (Sakamoto, 1999)

#### 4 Conclusion

The current management system of domestic ivory *hankos* trade is incapable of differentiating the *hankos* of legally obtained ivory from those of illegal sources in retail market.

It's because the system has no mechanism to keep whether products on sale correspondent to those recorded and it is unable to trace the movement of ivory products in trade without checking ledgers maintained by every manufacturer, wholesaler and retailer throughout the entire distribution system.

Also, the fact that many retailers being unaware of their obligations under the management system are in non-compliance and do not even maintain ledgers shows the failure of the scheme.

The Japanese government has tolerated the ivory *hankos* retailer association to issue a sticker apart from "Certification Labels" issued by the government to show that all ivory processed in *hankos* with the sticker was legally obtained. The checking on the source of ivory processed in those *hankos* is not under any supervision of the government.

Furthermore, the Japanese government's management system only pertains to the ivory *hankos* trade while the trade in ivory accessories remains unmanaged.

Only the ivory *hankos* trade is the object of control under the current system, although small sizes of raw ivory unsuitable for *hankos* manufacture comprise a sizeable percentage of the recent import from the three African nations and will be traded as accessories.

Therefore, the current system is defective considering the actual market situation of ivory products.

Under such a condition, the downlisting of 3 nations' populations of African elephant must be said a failure and those populations must be transferred from Appendix II to Appendix I. Also, downlisting of any other population must be avoided at this stage.

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## Annex

## Results of ivory hanko market survey

Location	Business Registration	Record in Ledger	Highly important comments
A shop (Shibuya ward)	Yes	No. No understanding	
B shop (Minato ward)	No	No. No understanding	Only knows "Certification Labels" system enforced in 1995. Because we are not a member of Seal Industry Association, there is no information available
C shop (Minato ward)	No	No. No understanding	Understands the business registration system but does not conform to it. Wholesalers stopped selling their stocks to raise the price of ivory after the ban. Since it appears now that ivory is not so popular anymore they are plotting how to sell ivory again
D shop (Minato ward)	Yes	No. No understanding	Regarding the ledger recording, the sales record book of our shop is enough
E shop (Chiyoda ward)	No?	No. No understanding	The sales record book of our shop is enough. No explanation is provided by the ward office
F shop (Chiyoda ward)	No?	No. No understanding	Only knows "Certification Labels" system enforced in 1995. Regarding the ledger recording. The Hanko Industry Association will do it. Regarding on-the-spot inspection. Never heard that Government officials come to inspect but no need to attach the label now. No need to do anything after the business registration. Sometimes we have orders to carve the ivory seals the customer say they are souvenirs from China or Thailand
G shop (Shinjuku ward)	No?	No. No understanding	
H shop (Shinjuku ward)	No?	No. No understanding	
I shop (Chiyoda ward)	No?	No. No understanding	
J shop (Chiyoda ward)	Yes	Yes	Since there are customers who bring ivory hanko as their souvenirs, it may be difficult to grasp the detailed market situation even if we record the trade in ledger
K shop (Taito ward)	Yes?	Yes?	
L shop (Taito ward)	No?	No. No understanding	The wholesalers who sell ivory to us retailers are managing the system. Retailers are not under strict control
M shop (Taito ward)	Yes?	Yes?	
N shop (Taito ward)	Yes	Yes	
O shop (Shinagawa ward)	Yes	No. No understanding	The sales record book for our shop is enough

\* Yes? in the column of Business Registration means that there is a possibility the retailer confused it with the voluntary management system enforced in 1995, but probably registered

\* No? means the retailer has no understanding about the system and probably did not register

\* Yes? in the column of Recording in Ledger means that there is a possibility the retailer confused it with the general sales record of the shop, but probably is recording ivory sales in a special ledge