

OBJECTIVES OF THIS REPORT

Given the proposed resumption in Japanese ivory imports from Botswana, Namibia and Zimbabwe, this report has the following objectives.

1. To analyze the possible impact on Japanese demand for ivory should international trade be resumed.
2. To assess the likelihood and impacts of illegal ivory trading.
3. To assess the likelihood of illegal ivory trade impacting the Asian elephant.
4. To assess the effectiveness of the Japanese Government's ivory trade management system
Does the system meet international expectation?
Can it control Japan's domestic ivory trade?

Executive summary

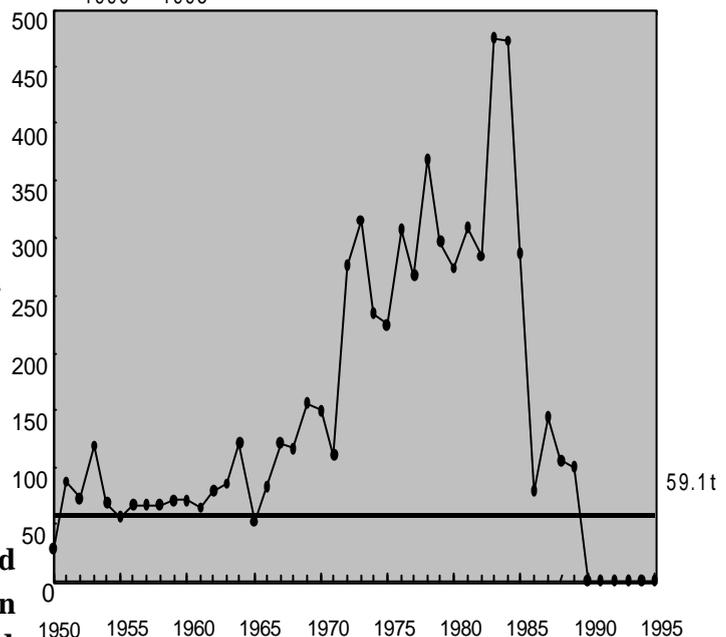
Demand for ivory hanko in Japan (Chapter)

- There potentially exists a huge demand for ivory hanko/inzai, which is assumed to be up to correspondent to an import of at least anywhere between one hundred and two hundreds ton.

“The import from three African countries (59.1t) is sufficient to fulfill the potential demand ?”

- The amount of ivory trade and consumption before the ban had been constantly enormous from the post-war period of the 1950s until the trade ban. (270 tons per annum in the 1980s)
- The status of ivory as hanko material is unshakable in the minds of Japanese consumers.
- The official supply of raw ivory has been cut since June 1989.

t The amount of raw ivory imported to Japan 1990 - 1995



The impact of the resumed imports from the three African countries on demand for and illegal trade in ivory in Japan (Chapter I)

- Domestic ivory trade is generally stagnant now.

The current problems facing domestic ivory trade in Japan are as follows:

- As a result of the international trade ban, in recent years there have been shortages in raw ivory stock for low-price, normal-quality inzai.
- Consumers purchasing power is weakening and lower-price, normal-quality ivory hanko are in greater demand than high-quality ones
- There are many consumers who are informed about the trade ban and think that they cannot / should not buy ivory hanko.

- The import from the three African countries is expected to contribute to removing these obstacles and to the recovery of normal circulation of ivory hanko/inzai marketing.

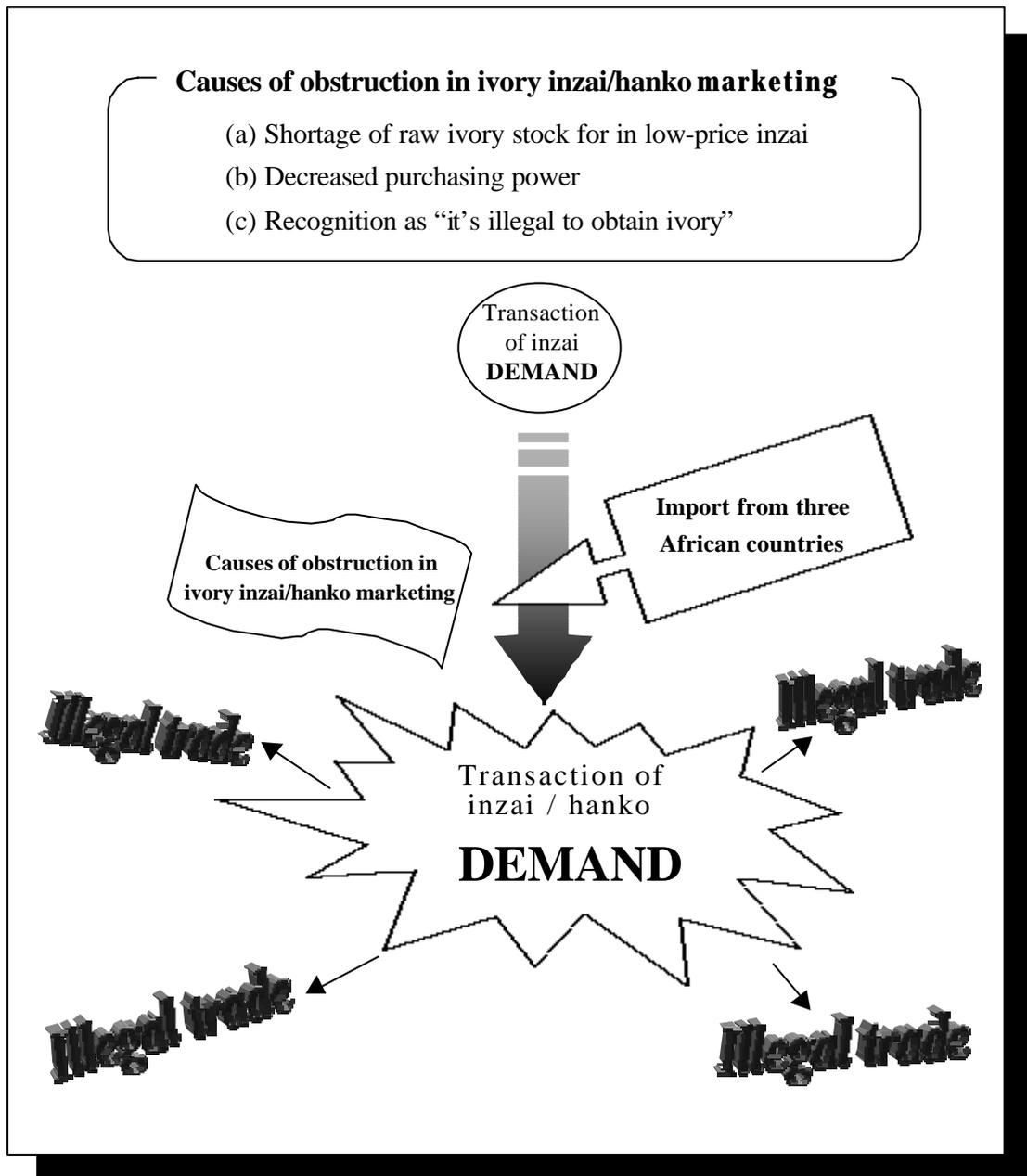
Cf. There certainly exists a movement making the potential demand visible, for example, a volume retailer substantially comprises 310 franchise shops sales 6 billion JPY (52million USD) last year.

Executive summary

There is great fear that the trade resumption may result in encouraging potentially huge demand.

The import from three African countries is insufficient to fulfill the whole potential demand.

Therefore, it is likely to increase demand for more supply from outside, augmenting incentive for illegal trade.



The trade resumption can lead to further flourishing illegal trade!

Executive summary

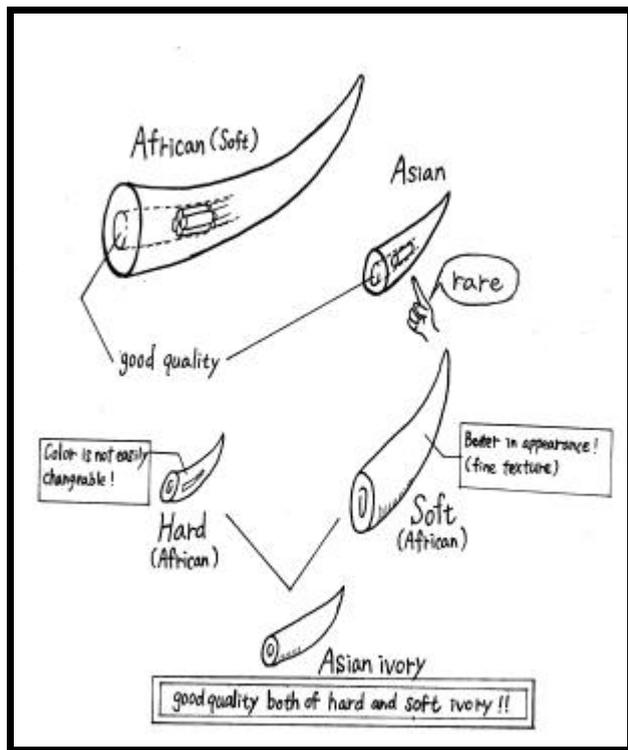
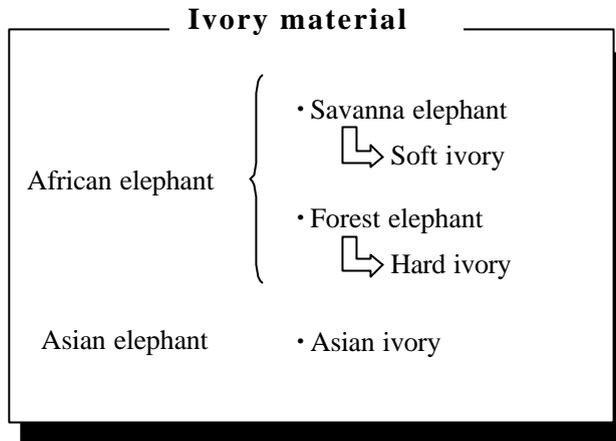
Impact of import from the three African countries on illegal trade in Asian elephant ivory in Japan (Chapter II)

- Japanese regarded that Asian elephant is better in quality than one of African elephant.
 - Asian ivory has the good qualities of hard and soft ivory.
 - Asian ivory hanko of high ranked material e.g. “superior” quality is rare.
 - Most of the ivory Japan imported before the World War I was from India, Vietnam and Thailand.

- In 1920s, Japan began to import ivory from the African continent and the portion of African ivory traded increased because quantities of Asian ivory from India, Vietnam and Thailand could not sustain the demand in Japan at that time.

- Asian ivory in zai maintains the specific status as a commodity in retail market at present.
 - With regard to retailers, 10% of the respondents to the questionnaire deal in Asian ivory. Furthermore, there is a dealer who deals in Asian ivory in high portion (Survey by JWCS, 1998) .

- If the import from three African countries is resumed and stimulate the transaction of low price hanko / in zai, the normal circulation of ivory hanko / in zai marketing will totally recover. If so, illegal trade of Asian ivory tusk will be stimulated to get “superior” Asian ivory hanko.
 - It’s because, in the process that the potential demand of ivory hanko is encouraged, the demand will be classified into two classes. A certain number of people require high value hanko even though low priced hanko will be bought more far as long as the present recession continues.

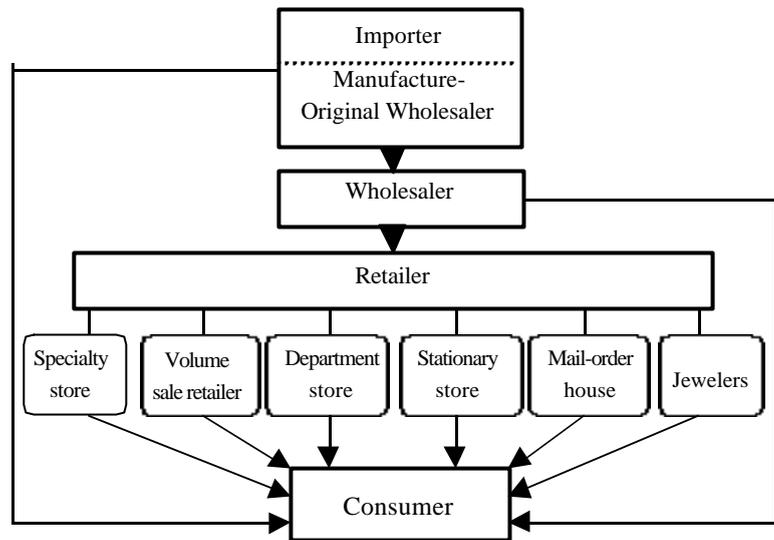


**The import will trigger the serious illegal trade of Asian elephant ivory.
Asian ivory is the ultimate target of Japanese people.**

Executive summary

Marketing system of ivory *hanko* and *inzai* in Japan (Chapter I)

- The structure of the Japanese ivory industry is very complex.
- The number of hanko retailers is at least 14,000 and may be up to 50,000, including stationary stores, mail-order houses and jewelers, which may deal in ivory hanko spread all over the country.
- A large portion of ivory traders are small-scale (family) businesses.

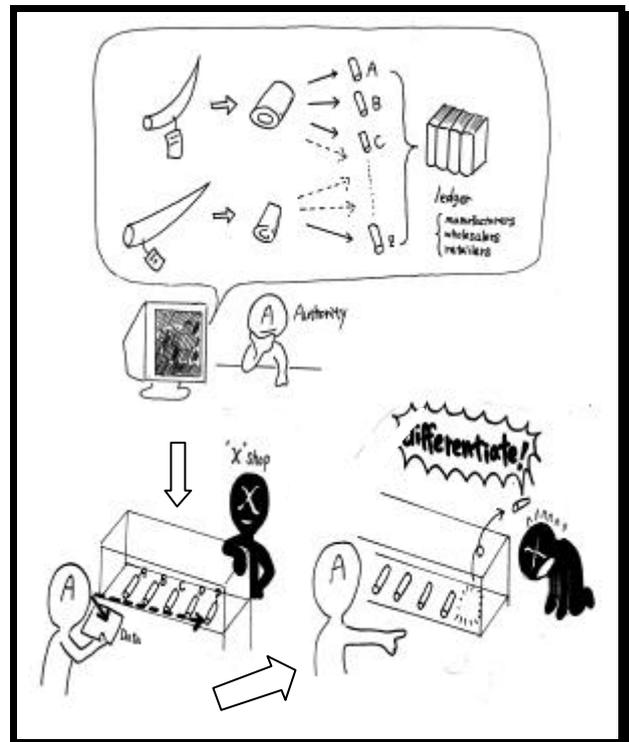


Problems of the Management System of Domestic Ivory Trade in Japan (Chapter III)

The comments by the Panel of Experts

- To make it possible to judge whether products in retail market have been made from legally obtained (imported) ivory.
- To conduct frequent and efficient inspection, and to be capable of detecting illegally obtained ivory pieces including inzai at the site of inspection.

“The control of retail trade is not adequate to differentiate the products of legally acquired ivory from those of illegal sources. With the system as currently implemented, it is unlikely that the import of partially worked ivory (e.g. inzais) could be reliably detected. More inspections are needed, including physical checking of the stockpiles.”
(Panel, 1997)



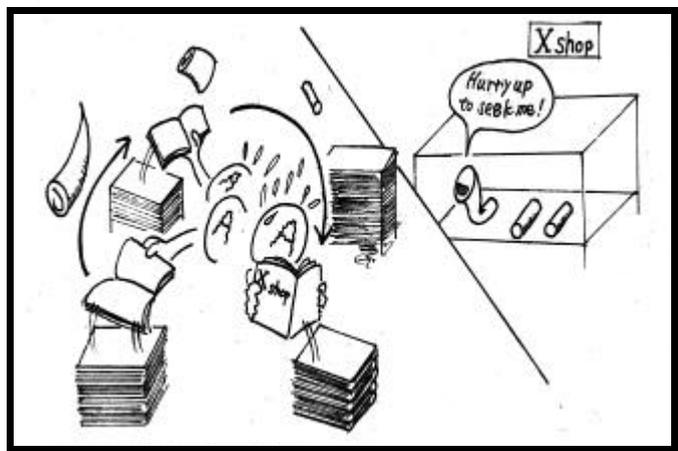
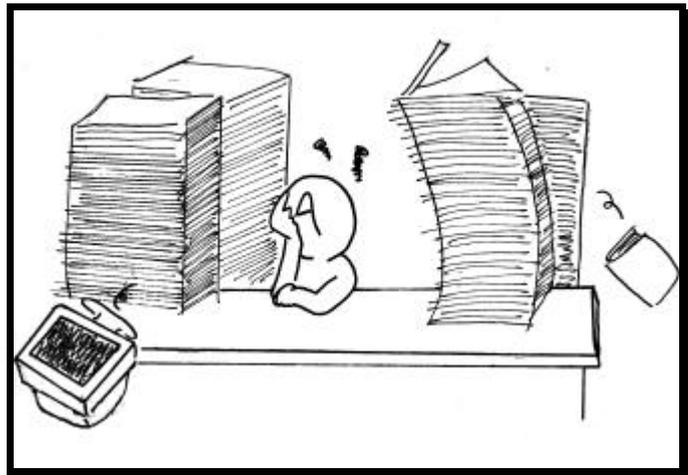
Executive summary

The revised system

- There was no requirement for registration of individual cut pieces including hanko / inzai, and transactions can be made without registration.
- Only, manufacturers of ivory products, wholesalers and retailers (just) of ivory hanko / inzai had the following obligations, with penalties for violation. Also, government officials for inspection may visit such dealers.
 - To register the business (name and address of the dealer, name and address of the place (shop etc.) where transactions of ivory cut pieces take place, etc.)
 - To inquire the source of the cut pieces on each occasion of acquisition
 - To record the procedure of transactions in a ledger and keep it
- The authorities may not prohibit sale of each item with punishment, which cannot be differentiated as legal one.

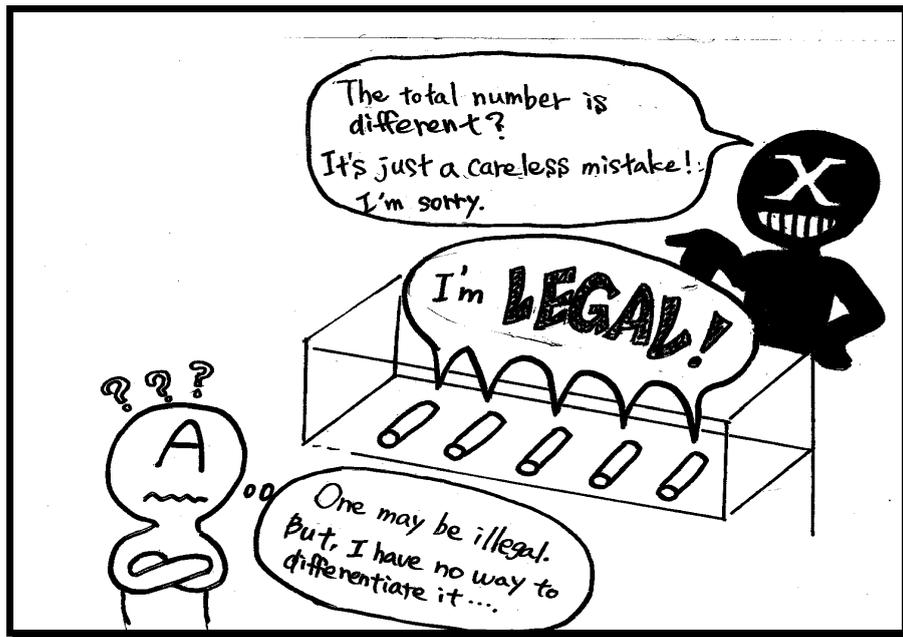
The problem of the revised system

- The data on transaction processes of each of ivory items back to raw ivory materials exist separately in ledgers of different levels of dealers. In order to trace transactions of ivory items, ledgers have to be collected from related retailer, wholesalers and manufacturers, and the data in all these ledgers have to be looked through and matched.
- The number of hanko retailers adds up to at least 14,000, maybe up to 50,000, including stationary stores, mail-order houses and jewelers, which may deal in ivory hanko, spread all over the country.
- A large portion of them are small-scale (family) businesses, and it is probable that ledger keeping may not be conducted properly while monitoring of the correctness of their work is practically very difficult.



Executive summary

- There is no way to know whether items described in a ledger are the same ones found in actual stock on inspection.
 - The dealers under the regulation are not required to record transactions pertaining to each ivory item (cut piece, inzai).



The revised management system does not fulfill the requirements for improvement as suggested by the Panel of Experts.

CHAPTER : Impact of import from the three African countries on demand for and illegal trade in ivory in Japan

Section 1: Marketing system of ivory *hanko* and *inzai* in Japan

Marketing system of ivory “hanko” or signature-seal and “inzai” or hanko material is basically divided into the following stages. Manufacture - original wholesale, wholesale and retail.

Generally speaking, both rough and unpolished pieces of ivory (hexagonal or otherwise) which don't have a person's name carved on it are called inzai though technically the word inzai means polished ivory. Once the name is carved, it is called hanko. However, the consumer calls the ivory pieces sold at retail shop with no name on them, hanko. Inzai is an unfamiliar term to general consumers.

1-1: Manufacture (and original wholesale)

Major ivory manufacturers in Japan have been importers. Between 1975 and 1979, two thirds of the annual total import of about 300 tons was imported by five major import-manufacture-original wholesalers. These dealers would produce inzai and other finished products, wholesale them to department stores or retailers, or trade raw ivory itself with other manufacturers. (Martin, 1985)

Today these dealers retain stock of ivory, which was imported by them or acquired from other importers, and are continuing their business.

There are two industry associations of ivory manufacturers, Tokyo Federation of Ivory Arts and Crafts Association (42 members) and Osaka Federation of Ivory Arts and Crafts Association (21 members), which further go to form Japan Federation of Ivory Arts and Crafts Associations. (TRAFFIC, 1997) The members of these associations account for 30% of the total number of manufacturers registered with the government. (Environment Agency / Ministry of International Trade and Industry, 1996) Price of raw ivory has been virtually controlled by a handful of major dealers mentioned above who play the central role in these industry associations. (Martin, 1985)

1-2: Wholesale

Ivory inzai wholesalers buy inzai from the above manufacture-original wholesalers and sell to retailers. Most of wholesalers deal in various materials, which are used for making hanko; ivory is one of them. The above mentioned major importer-manufacturers are also major, specialized and original wholesalers of ivory inzai.

Ivory inzai can be dealt in semi-processed or unpolished form when they go through multiple wholesales, but in many cases they are polished, i.e. finished so that they can immediately be retailed. (JWCS 1998)

There exists a nationwide association of seal products wholesalers named “Zen-Nihon Inpan-youhin Shoko-Kumiai” which consists of 151 members and includes inzai wholesalers.

Some wholesalers are also engaged in retail sales. (JWCS 1998)

1-3: Retail

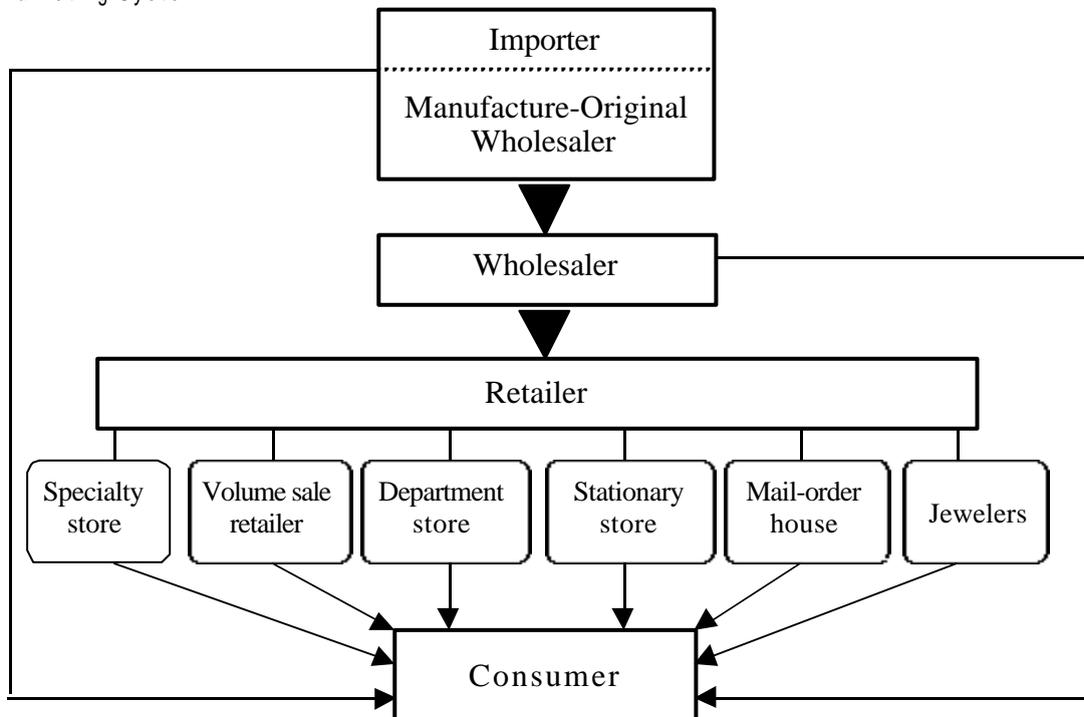
Hanko are sold in shops specialized in hanko (ivory and other substances), stationery stores, department stores and so on. The number of retail shops dealing in hanko is very large. The number of shops listed as ‘hanko shops’ in the nationwide telephone directory only, adds up to almost 14,000. According to a hanko industry journal, there may exist over 50,000 retailers including stationary stores, mail-order houses, and jewelers, which may deal in ivory hanko. (Journal, December 1998)

There is a nationwide organization of Hanko retailers named “Zen-Nihon Insyo-gyo Kumiai Rengokai” which consists of 3,418 members. (Journal, November 1998)

<Figure 1>

<Figure 1>

Marketing System



Section 2: Demand for ivory hanko in Japan

2-1: Trade and consumption before the ban

According to Martin's analysis of trade statistics, the amount of raw ivory imported to Japan in the ten years between 1910 and 1919 increased threefold from the preceding 20 years, averaging 50.8 tons per annum. In the 1920s the annual average import amounted to 70.8 tons, and after the period of the Great Depression and the Second World War, it increased to 70 tons in the 1950s, 95 tons in the 1960s, and 255 tons in the 1970s, making Japan the largest consumer of ivory in the world. (Martin, 1985) The annual average import in the 1980s (1980 – 1988) further became 270 tons in the 1980s (1980 – 1988). (Milliken 1989)

In comparison with the import, ivory export from Japan, even taking into account both raw and processed ivory, was a trifling quantity. Most of imported ivory is thought to have been consumed within the country. Of ivory imported gross 55% (Martin, 1985) to 64% (Milliken 1989) was processed into hanko, and two million ivory hanko were produced every year around 1985. (Martin, 1985)

2-2: Ivory as inzai

In Japan ivory has been considered to be the best material for hanko / Inzai making to date. The reasons are generally considered to be the high-class and luxurious image pertaining to ivory, durability (against physical damage), correct degree of absorbency of vermilion ink, the beauty of the print of seal carving, moderate massiveness as hanko material, smooth feel on the surface, and so forth. Martin has also made an observation that the whiteness of ivory appeals to sensitivity of the Japanese people. (Martin, 1985)

What is important is that ivory has been given a symbolic, prime status as material for hanko (inzai) not only because objectively it has some characteristics favorable for making hanko, but also, or rather, because of the subjective images attached to ivory.

According to a dealer engaged in ivory manufacture and wholesale in Yamanashi Prefecture (an area with a high concentration of seal dealers), right after the trade ban in 1989 over 200 artificial materials were developed and marketed as substitute for ivory inzai. (Interview by JWCS, 1997: such trend could be also observed in news articles of those days.) Such artificial substitutes include casein resin, phenol resin, ceramics, and mixtures of these materials and natural substances and so on. However, it is said that only a few artificial substitutes have survived in the market today.

In fact, according to a survey on consumer preferences and consumption of hanko conducted by an organization of hanko retailers named “Osaka prefecture Insyo-gyo Kyodokumiai” in cooperation with the Economic Bureau of the Osaka City (1995 – 1996), 52.6% of the respondents chose ivory for ”jitsuin”*, their officially registered hanko. A hanko industry journal analyzed this result and commented that despite the CITES ban on ivory trade the Japanese people have retained strong preference for ivory for hanko. (Journal, July 1996)

”Jitsuin”

Registered official name seal, used for signing / authorizing important legal documents and contracts. Registration of such hanko is done with local governments, which issue identification / certification of jitsuin upon request to accompany the documents. Jitsuin plays an extremely important role in Japanese society especially when business contracts are involved.

2-3: Conclusion on demand for ivory in Japan

Two points are made clear from the above.

For one thing, the amount of ivory trade and consumption before the ban had been constantly enormous from the post-war period of the 1950s until the trade ban.

Secondly, the status of ivory as hanko material in the perceptions of Japanese consumers is unshakable.

What these facts mean is that demand for ivory hanko still exists today and it may be potentially very huge. How huge is the demand estimated? Certainly, it cannot be said that it is as huge as the demand that existed the 1980s (the amount of import of raw ivory was 275 t per annum), when the economic boom of Japan was at its peak in every corner of the country. Today the Japanese economy is in a long-term recession, and consumers’ purchasing power in general has gone down as discussed later in this report.

On the other hand, one substantial hanko volume retailer substantially comprises 310 franchise shops with sales 6 billion JPY (52 million USD) and is increasing the number of shops by 90 per annum in recent years. These franchise shops are selling ivory hanko in mostly the lowest price in retail market (Journal, January 1999). As that example shows, there certainly exists a movement making the potential demand visible, also.

Furthermore, it should be taken into consideration that the official supply of raw ivory has been cut since June 1989 when the Government of Japan stopped all imports of ivory, namely the demand for ivory products has been restricted for over 9 years.

Taking these situations into consideration and the experience about consumption of ivory, it should be assumed that there exists a demand correspondent to an imports of at least anywhere between one hundred and two hundreds ton.

Section 3: The current situation of ivory hanko / inzai market

3-1: Trend in volumes

General trends in domestic ivory trade since the ban on international trade

It is clear that the volume of domestic trade has been constantly declining since the ban was placed in June 1989.

According to a report compiled by ivory importers' association in 1993, the volume of domestic sales of its 59 members had kept falling from 181.3 tons in 1989, 82.5 tons in 1990, and 69.9 tons in 1991. (TRAFFIC 1997)

Also it was pointed out by some ivory wholesaler that ivory inzai has become unpopular among consumers since the trade ban (JWCS 1998). Another dealer engaged in manufacture-original wholesaler of ivory inzai stated that at present the supply of ivory inzai has been decreasing in the market and that the production volume of this dealer himself has gone down to 300 kg per month, while it was one ton a month before the ban. (JWCS field investigation,1998)

At the retail level also, the current situation seems to be well reflected in a retailer's comment that since the ban the price of ivory has gone up and ivory hanko became unpopular at retail. (JWCS, 1998)

Changes between the 1996 fiscal year (April 1996 to March 1997) and the 1997 fiscal year (April 1997 to March 1998)

In November and December 1998 JWCS conducted a survey on changes in ivory market trend in the past one year. (JWCS 1998) In the questionnaires the fiscal year was used for convenience, which starts from April and ends in March following year. The results are as follows.

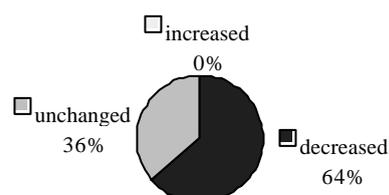
(a)Transaction volume between manufacture-original wholesalers and wholesalers:<Figure 2>

- Increased – 0%
- Decreased – 64%
- Unchanged – 36%

(b)Transaction volume between wholesalers and retailers (wholesale volume):

There are two sets of data to this question, i.e. responses from wholesalers and retailers. <Figure 3,4>

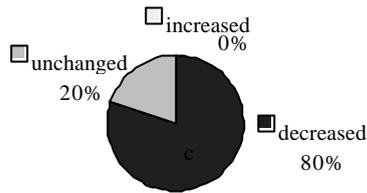
<Figure 2>
Changes in Purchase volumes of ivory inzai from manufacturers
(Respondent : Wholesalers)



Wholesalers' responses:

- Increased – 0%
- Decreased – 80%
- Unchanged – 20%

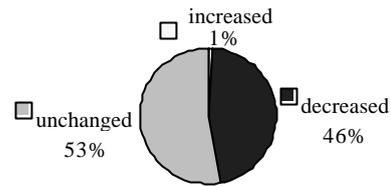
<Figure 3>
Changes in Wholesale volumes of ivory inzai to retailers (Respondent : Wholesalers)



Retailers' responses :

- Increased – 1%
- Decreased – 46%
- Unchanged – 53%

<Figure 4>
Changes in Purchase volumes of ivory inzai from wholesalers (Respondent : Retailers)

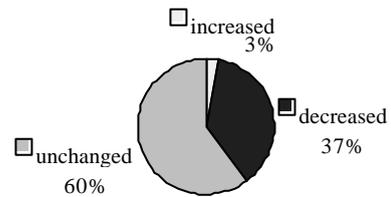


Not a few of those who answered 'unchanged' in their transaction volume of ivory inzais in the past one year added comments that their sales had been very low already before April 1996 and such low sales level were just continuing.

(c) Retail sales volume between retailers and final consumers : <Figure 5>

- Increased – 3%
- Decreased – 37%
- Unchanged – 60%

<Figure 5>
Changes in Retail volumes of ivory inzai (Respondent : Retailers)



Again, many of those who answered 'unchanged' commented that the sales level has been low since before April 1996.

Analysis of trend in volumes

The above result indicate the trend of declining transaction volume of ivory hanko / inzai visible even in the past one year alone.

3-2: Trend in prices

Prices are placed on ivory inzai / hanko at the following stages of transaction

- Import of raw ivory (at present there supposed to be no official import price)

- Transaction of raw ivory among (import-)manufacture-original wholesalers)
- Wholesale of inzai from manufacture-original wholesalers to wholesalers
- Wholesale of inzai from wholesalers to retailers
- Retail of hanko

Raw ivory prices in transactions among (import-) manufacture-original wholesalers

The above mentioned two associations of ivory manufacture-original wholesalers in Tokyo and Osaka hold an auction called “zouge koukan kai (ivory exchange)” once a year. Prices placed on ivory at this auction in effect determine prices of raw ivory in general and wholesale prices of inzai. (Journal August 1997, Martin 1985, etc.)

In 1997 the amount of ivory offered at the annual auction was less than previous years. Also, the bidding prices at the auction have changed from 50,000 JPY/kg (435 USD/kg) in 1994 to 70,000 – 100,000 JPY/kg (610 - 870 USD/kg) because of the shortage of raw ivory. (Journal, August 1997)

In individual transactions where negotiations can take place, raw ivory is sometimes sold between individual dealers at prices lower than the auction prices. For example, according to a dealer who apparently does not belong to the aforementioned industry associations, in 1997 the price of raw ivory offered by other dealers was 60,000 JPY/kg (525 USD/kg), while another dealer stated that it was 55,000 yen/kg (480 USD/kg). (JWCS field investigation,1998)

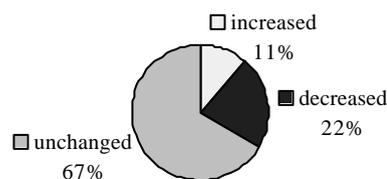
Prices of ivory inzai in transactions between manufacture - original wholesalers and wholesalers

Manufacture-original wholesalers who obtained raw ivory at the auctions or through individual transactions process it into inzai pieces and sell them to wholesalers. Right after the CITES COP10 in June 1997, almost all ivory manufacture-wholesalers at the same time announced 30-40% increase in their wholesale prices of inzai. This was said to be due to the increase in bidding prices of raw ivory at the auction that year. (Journal, August 1997) On the other hand, according to the JWCS survey, the wholesalers responded about the change of the price between 1996 and 1997 fiscal year as follows. (JWCS, 1998): <Figure 6>

- Increased – 11%
- Decreased – 22%
- Unchanged – 67%

The following are some examples of current prices at which ivory inzai wholesalers bought inzai from manufacture-original wholesalers (From the multiple wholesalers’ responses. JWCS survey 1998):

<Figure 6>
Changes in Purchase prices of ivory inzai from manufacturers
(Respondent : Wholesalers)



Size (diameter x length, mm)	Quality ranking	Price JPY	USD
15 x 60	Normal	4,200	36.5
15 x 60	Superior	13,000	113.0
12 x 60	Normal	3,500	30.4
12 x 60	Superior	6,500	56.5

Prices of ivory inzai in transactions between wholesalers and retailers

At a hanko exhibition & sales held in July 1997 by an association of hanko wholesalers in east Japan, “Higashi-Nihon Inpan-youhin Syoko-kumiai”, immediately following the announcement of price increase by manufacturers, ivory hanko had higher prices than usual. The lowest price for ivory inzai as special offer at this exhibition & sales was 4,600 JPY (40 USD)/piece (15 x 60 mm, normal quality). (Journal, September 1997)

The following are wholesale prices data of late 1998 obtained from several dealers during the JWCS survey (JWCS, 1998) and from mid-1997 (July) obtained from a hanko industry journal. (Journal, August 1997) According to the JWCS survey, normally wholesalers seems to place 20-40% profit and various expenses to the prices.

Size (Diameter x length, mm)	Quality	JWCS survey (late 1998)		Industry journal (mid-1997)	
		JPY	USD	JPY	USD
15 x 60	Normal	5,000	43.5	5,850	50.9
15 x 60	Superior	18,000	156.5	9,750 (or 16,250 with case)	84.8 (141.3)
12 x 60	Normal	4,000	34.7	3,965	34.5
12 x 60	Superior	7,500	65.2	6,630	57.7

Retail prices of ivory hanko

The following are some examples of retail prices of ivory hanko, obtained from hanko retailers during the JWCS survey. Compared to wholesale prices of inzai, retail prices of normal-quality hankos and high-quality hankos seem to be almost 2-3 times and 4-6 times higher respectively. The difference includes profit, costs of name carving on the hanko and various other expenses.

Size (Diameter x length, mm)	Quality	Sample prices given by several retailers	
		JPY	USD
15 x 60	Normal	11,000 / 20,000 / 30,000	95.7 / 173.9 / 260.9
15 x 60	Superior	50,000 / 60,000 / 80,000	434.8 / 521.7 / 695.7
12 x 60	Normal	13,000 / 15,000	113.0 / 130.4
12 x 60	Superior	25,000 / 35,000	217.4 / 304.3

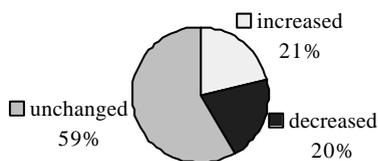
According to the advertisement of a franchise shop belong to the volume sale retailer mentioned earlier, ivory hanko in 15x 60 size is sold in 11,000 JPY (95.7 USD) and a set of hanko in 15 x 60, 13.5 x 60 and 10.5 x 60 size is sold in 28,800 JPY (250.4 USD). These prices are almost the lowest price in retail market. The advertisement says “80% OFF” to stimulate the demand of consumers.

From the results of the JWCS survey, the changes in wholesale prices (from wholesalers to retailers) and retail prices between the 1996 fiscal year (April 1996 – March 1997) and the 1997 fiscal year (April 1997 – March 1998) can be compared. (JWCS 1998)

Wholesale prices from wholesalers to retailers
(% of questionnaire respondents): <Figure 7>

Increased – 21%
Decreased – 20%
Unchanged – 59%

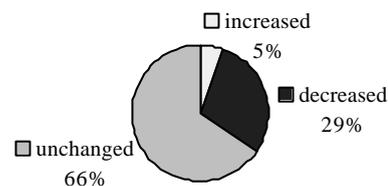
<Figure 7>
Changes in Wholesale prices of ivory inzai to retailers
(Respondent : Retailers)



Retail prices:
<Figure 8>

Increased – 5%
Decreased – 29%
Unchanged – 66%

<Figure 8>
Changes in Retail prices of ivory inzai to retailers
(Respondent : Retailers)



From the above it can be observed that in spite of the fact that the wholesale prices have not changed so much (the percentage of “increased” and “decreased” is mostly same), retail prices have become lower.

The largest ivory importer-manufacture-original wholesaler who also retails hanko and started selling ivory hanko (15 x 60 mm, normal quality) at prices as low as 8,000 yen, commented that he had sufficient raw material but he thought ivory hanko could not sell these days unless offered at such low prices. And that it is possible for other retailers considering the percentage of profit gain of ivory hanko. (Journal, April 1997)

Analysis of trend in prices

It has been said that prices in transactions of raw ivory among manufacture-original wholesalers and the prices in transactions of ivory inzai between manufacture-original wholesalers and wholesalers

have increased in recent years.

However, JWCS observation between fiscal years 1996 and 1997, indicate no general trend of price rises (JWCS 1998). It is thought that if manufacture-original wholesalers (wholesalers) increase their prices in sales to wholesalers (retailers), in effect it will become unprofitable for wholesalers (retailers) to deal in ivory inzai (hanko) at such high cost and may reduce demand. Thus in some cases dealers refrain from making higher prices though they want to increase the prices because of the shortage of ivory stockpile.

So, contrary to popular belief, there is a tendency of falling prices at retail. The reason for the fall in price is thought to be that the retailers cannot help responding to the real purchasing power of consumers.

As a retailer commented “retail prices are too high. We should import a lot of ivory and lower the cost”(JWCS, 1998), it can be said that both manufacture-original wholesalers, wholesalers and retailers are longing for a supply of ivory inzai at lower prices.

3-3: Causes for the current trend of trade volume and prices, i.e. factors hampering of ivory inzai/hanko marketing

Various information from the industry

Concerning the causes for the current market trend, JWCS obtained various opinions from ivory inzai/hanko wholesalers and retailers. (JWCS 1998)

“Since the ban on ivory import consumers have stopped buying ivory products and ivory inzai do not sell. They are too expensive now.” (Wholesaler)

“Partly because of the downward economic condition, demand for ivory is decreasing, or it tends to be mainly for cheaper inzai if any.” (Wholesaler)

“Manufacturers seem to have enough stock of high-quality expensive ivory, but stock of normal-quality ivory (which can be sold at reasonable prices) is running short.” (Wholesaler)

“As a result of the massive media coverage on the CITES (ban), many customers started ordering buffalo horn hanko instead of ivory. There has not been any detailed news on development of the ivory issue since then, so we have not had orders for ivory hanko yet today.” (Retailer)

“Since the import ban prices have gone up and ivory hanko cannot sell at retail prices.” (Retailer)

“Retail prices are too high. We should import a lot of ivory and lower the cost.” (Retailer)

“I think if trade is reopened and the economy recovers, demand will increase.” (Retailer)

“Customers think that there is no ivory in the market.” (Retailer)

“Wholesaler prices of ivory inzai have become high.” (Retailer)

“There are very few orders for ivory hanko because customers are now prejudiced that ivory is too expensive or believe there is no ivory on the market.” (Retailer)

“Thanks to today’s economic recession sales of ivory hanko has gone down significantly. Orders for cheap hanko are increasing.” (Retailer)

Also, a dealer (manufacture-original wholesaler) in Yamanashi Prefecture (the major hanko production area in Japan) also commented that today supply of ivory inzai to retailer has become low, that this dealer himself has been forced to contract the production volume from one ton a month before the ban to 300 kg/month today, and that the economic recession is also contributing to the downward trend of ivory hanko market. (JWCS field investigation, 1998)

Similar comments can be found in hanko industry journals: “Shortage of normal-quality ivory is becoming serious. It seems to have especially a huge impact on shops specialized in selling cheap hanko” (Journal, February 1997), “Supply of ivory inzai to the domestic market comes from pre-convention stocks, but nine years since the ban it is said that such stocks have almost gone, and ivory prices are increasing.” (Journal, May 1997)

Regarding consumer purchasing power, the questionnaire survey conducted by the aforementioned retailers’ association in Osaka came out with average preferred prices for jitsuin* (see 2-2) between approx. 17,000 – 32,000 yen. (Journal, July 1996) The Japanese economic recession has escalated in more recent years, lowering consumers’ general buying power; thus these figures need to be considered to be still lower today. Without doing so, still these figures indicate that consumers were willing to buy cheap, normal-quality ivory hanko.

Analysis of the causes for obstruction in ivory hanko / inzai marketing

Based on the above information, the causes for obstruction in ivory inzai/hanko marketing can be summarized in the following three points:

- (a) As a result of the international trade ban, raw ivory stock for low-price, normal-quality inzai has become in shortage in recent years.
- (b) Consumers’ purchasing power is weakening and lower-price, normal-quality ivory hanko is in demand, than high-quality ones
- (c) There are many consumers who are informed about the trade ban and think that they cannot / should not buy ivory hanko.

Section 4: Conclusion – Anticipated impact of the resumed import from the three African countries on demand for and illegal trade in ivory in Japan

What was made clear in above discussion is:

- There potentially exists a huge demand for ivory hanko / inzai
- The transaction of ivory is stagnant now. The causes for obstruction are as follows:
 - (a) As a result of the international trade ban, raw ivory stock for low-price, normal-quality inzai has become in shortage in recent years.
 - (b) Consumers' purchasing power is weakening and lower-price, normal-quality ivory hanko is in demand than high-quality ones
 - (c) There are many consumers who are informed about the trade ban and think that they cannot / should not buy ivory hanko.

If so, the import from the three African countries is expected to contribute to removing obstruction and recovering normal (pre-import ban) levels circulation of ivory hanko/inzai marketing. More specifically, as commented as follows, it will help remove two of the causes for such obstruction mentioned above ((a) and (b)).

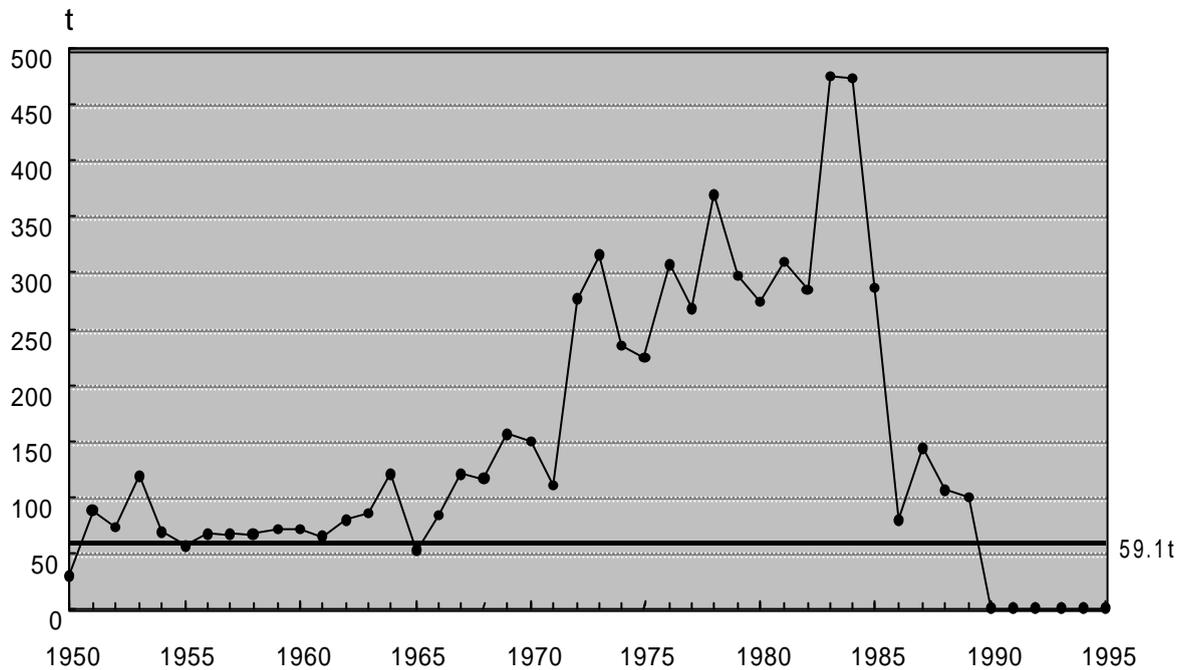
- One of the retailers who responded to the JWCS survey commented, “Retail prices are too high. We should import a lot and lower the cost” (JWCS, 1998)
- A manufacture - original wholesaler in Yamanashi Prefecture anticipates that if import starts again, value of his remaining ivory stockpile will drop significantly. (JWCS field investigation, 1998)

Furthermore, even partial lifting of the ban will inform consumers that ivory can be imported legally, thus also removing the third obstacle (c).

In conclusion, there is great fear that the trade resumption may encourage potentially huge demand as a result. However, the expected amount of import from the three African countries is 59.1 tons, which will be far insufficient to fulfill the whole potential demand (It should be assumed that the demand is correspondent to an import of anywhere between one hundred and two hundreds ton ivory. (See 2-3)) <Figure 9>.

Therefore, it is likely to increase demand for more supply from outside, augmenting incentive for illegal trade. The trade resumption can thus lead to further flourishing illegal trade, which may give the final blow to the existence of African elephant.

<Figure 9>
 The amount of raw ivory imported to Japan
 1950 - 1995



< Compiled by JWCS based on data from Martin, 1985 and TRAFFIC, 1997 >

In order to avoid such consequence while still opening up ivory trade, the conditions attached to the resolution on the trade resumption, Res.10.1 need to be considered and satisfied perfectly. Among the conditions for both exporting and importing countries, the most important are those imposed on Japan concerning its management system of domestic ivory trade. In the following chapter attempts are made to assess the impact of the resumption on the illegal trade of Asian elephant, specifically. After that, an attempt to assess whether the management system of Japan, which has been amended in 1998, is capable of fulfilling its significant responsibility by commanding strict control over domestic trade in ivory in the final chapter.

CHAPTER : Impact of import from the three African countries on illegal trade in Asian elephant ivory in Japan

Section 1: Use of the ivory of Asian elephant by Japanese

There are roughly 3 types of ivory material, namely hard ivory, soft ivory and Asian ivory.

Hard ivory has high density and is produced from the tusk of Forest elephants (*Loxodonta africana cyclotis*), a subspecies of African elephant. Some Japanese dealers describe this from Forest elephant in Central Africa as “semi-hard ivory”. (JWCS field investigation, 1998)

Other African ivory, known as soft ivory is produced from the tusk of the Savanna elephants (*Loxodonta africana africana*). The ivory from the African elephants of Botswana, Namibia and Zimbabwe is soft ivory.

On the other hand, Asian ivory is produced from the tusk of the Asian elephant (*Elephas maximus*) and is called “Togata” (this word means “direction to China”) among dealers. (JWCS field investigation, 1998). “Indo” (Martin, 1985) seems to be the nickname used by dealers for hard ivory. (JWCS field investigation, 1998).

A report that states Asian elephants, ivory as well as that of Forest elephants is called hard ivory (Milliken, 1989) is considered wrong. Judging from communication with manufacture-original wholesalers, Asian ivory should be distinguished from hard ivory.

Most of Japan’s ivory imports before the World War I were from India, Vietnam and Thailand. In 1890s and 1910, the import of ivory amounted to 18.2 t per annum and most of this came from India. The Japanese regarded that Asian elephant as better quality than hard ivory (Martin, 1985).

In the 1920s, Japan began to import ivory from the African continent and then increased the portion of African ivory. This was only because the Asian ivory from India, Vietnam and Thailand could not sustain the demand in Japan at that time (Martin, 1985). The imported African ivory was mainly hard ivory. In Japan, people have preferred hard ivory to soft ivory as the superior material for luxurious hanko, parts of classical musical instrument and special carving. (Milliken, 1989).

In the 1980s, soft ivory was over-supplied in international market because the import of ivory from tropical Africa where forest elephants live was strictly restricted and the poaching concentrated on Savanna elephants including those in Eastern Africa. The trend affected the import of ivory into Japan and forced Japanese manufacturers to use a greater proportion of soft ivory (Milliken, 1989) for purposes including hanko / inzai.

Hankos made of hard ivory are regarded as more luxurious and valuable than those of soft ivory. The reason for this higher regard is that the color of products does not easily changeable to brown or gray when they absorb sweat from the skin (Martin, 1985), even though soft ivory is better in appearance because the texture of soft ivory is finer than that of hard ivory. (JWCS field investigation, 1998)

According to a big manufacture-original wholesaler, Asian ivory has the good qualities of hard and soft ivory. (JWCS field investigation, 1998) The fact that Asian ivory had been preferably imported until the supply could not sustain the demand in Japan proves that the Japanese regarded Asian ivory as the best.

However, the quality of material of ivory products does not depend solely upon whether it is hard or soft ivory. Generally speaking, the more central the part of raw ivory, the finer-textured it is and so the more luxurious and expensive. However, it is difficult to produce many hankos with fine-texture from Asian and hard ivory tusks because the tusks of Asian and forest elephants are generally smaller and so can produce less amounts of inzai than those of the savanna elephant. That is why Asian and hard ivory hankos with fine-texture, that are ranked highly as so-called “superior” or “extra- superior” are relatively rarer than those of soft ivory.

In conclusion, high quality Asian ivory hankos have the highest value among the all kinds of ivory in Japan.

Section 2: The present situation of transaction of hanko / inzai made of Asian ivory

With regard to retailers, 10% of respondents deal in Asian ivory. Furthermore, there is a dealer who deals in a high proportion Asian ivory (JWCS, 1998).

It is not clear whether the dealers can differentiate Asian ivory from African ivory correctly. But, the important fact is that those dealers themselves recognize that they deal in Asian ivory inzai. This means that Asian ivory has still a specific status as a commodity in the retail market of ivory hanko since the import to Japan was banned in 1980.

On the other hand, no wholesaler responded that they deal in Asian ivory inzai. How is this difference explained? Asian elephants have been listed in the Appendix I and trade in their derivatives has been banned since before Japan became a member of the CITES in 1980. Unlike retailers who may be dealing in commodities other than hanko/inzai, wholesalers have stronger interest in the ivory issue in general and they must be more aware of the status of Asian ivory. Therefore, it can be incurred that wholesalers may have treated the question cautiously. In fact, there are some wholesalers who avoided this particular question only in the whole questionnaire.

The survey by JWCS allows analysis of the prices of hanko.

Asian ivory and those of African ivory, which may include hard and soft types.

With regard to retailers, 21% of respondents responded that Asian ivory is more expensive than African ivory and 43% of them responded the opposite. This result of the questionnaire survey seems valuable.

However, it should be remembered that Superior or Extra superior are rarer than African soft ivory in the market. Thus, African soft ivory hanko may be more expensive than Asian ivory ones when the comparison is simple and made without consideration of the rank of products at the shop.

Accordingly, the result of the survey does not contradict the fact that Asian ivory hanko has higher values than the African. If the prices of Asian ivory and African soft ivory are compared with at each rank of ivory, different result might be gained.

Section 3 Conclusion – The impact of imports from the three African countries on illegal trade in Asian elephant ivory in Japan

Important facts for considering the impact are :

- First, Asian ivory inzai still hold a specific status as a commodity in the retail market.
- Secondly, Asian ivory hanko of high rank possesses the highest value among the kinds of ivory hanko.

The conclusion is as follows:

In the process that encourages the potential demand of ivory hanko (see Chapter I, Section 4), the demand will become more and more polarized, one pole is formed by a certain number of people requiring high value hanko even though low priced hanko will be the main commodity as far as the present recession continues. Such people will seek the Asian ivory hanko of high rank. Their demand will be enough to threat the survival of the species with a population of just 35,000, or one sixteenth the size of African elephant.

CHAPTER : Analysis of the amended Management System of Domestic Ivory Trade in Japan

On 28th April 1998 partial amendments have been made to the Law for Conservation of Endangered Species of Wild Fauna and Flora (LCES), in order to revise the management system of domestic ivory trade in Japan. The new management system will come into effect on 18th March 1999 (at the end of the ivory trade moratorium).

The revision must improve the defects in the Japanese management system as pointed out by the CITES Panel of Experts on African Elephant, in order to meet the conditions for trade resumption from the three African countries, as decided at the CITES COP10 (Res.10.1 Part A, a).

Section one of this chapter will provide an overview of the Panel of Experts' assessment of the previous management system which took place prior to COP10. In Section two, the defects of the management system pointed out by the Panel are discussed, followed by an overview of the revised system. The final section provides an analysis of the revised management system and considers whether the new system has overcome the defects sufficiently so as to meet the required conditions of improvement.

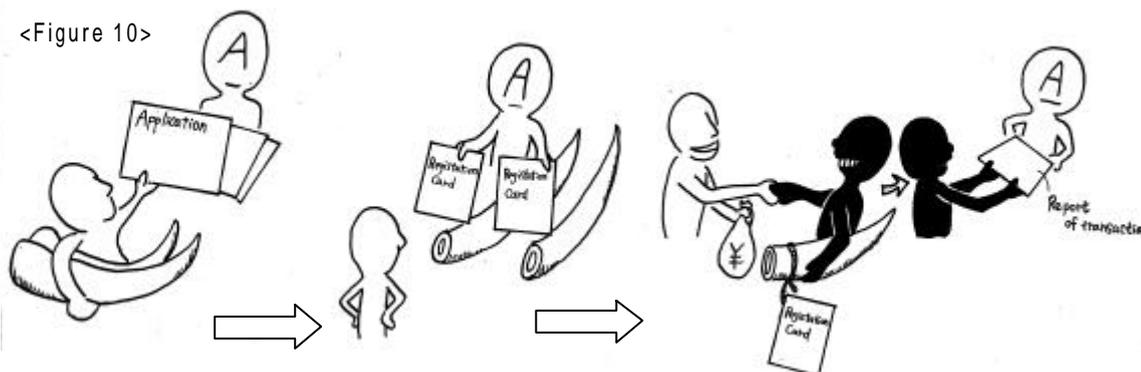
Section 1: Overview of the previous management system

Prior to the current revisions there were totally separate management system for controlling transactions of whole tusks and other cut pieces. (This flaw remains still after the revisions.)

Whole tusks

Any transaction was prohibited unless each tusk is registered with the relevant authorities (MITI & EA). (i.e. All tusks had to be registered for any kind of transaction.) Registered tusks had to be accompanied by registration cards (certificate of registration) in any transaction. <Figure 10> There has been no amendment to this aspect of the system.

<Figure 10>



Other cut pieces

There was no requirement for the registration of cut pieces, and transactions could be made without registration. (This flaw remains still after the revisions.)

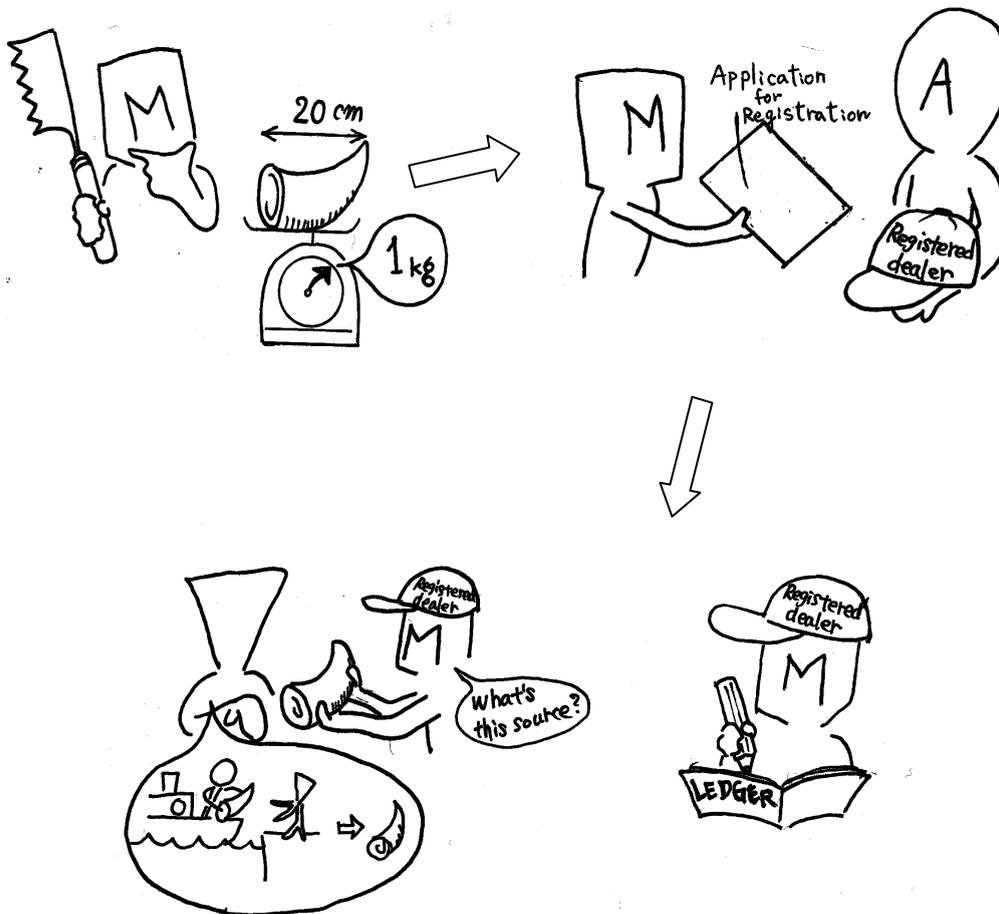
However, under the system, those dealing in cut pieces of certain size except for final products namely, which are over 1 kg in weight and over 20 cm in length, now have the following obligations under penalties of violation. Government officials may visit these dealers for the purpose of inspection.

- To register the business (name and address of the dealer, name and address of the place (shop etc.) where transactions of ivory cut pieces take place, etc.)
- To inquire the source of the cut pieces on each occasion of acquisition
- To record the procedure of transactions in a ledger and keep it

<Figure 11>

Previous to the revision, wholesale and retail dealers of ivory had no such obligation under the management system.

<Figure 11>



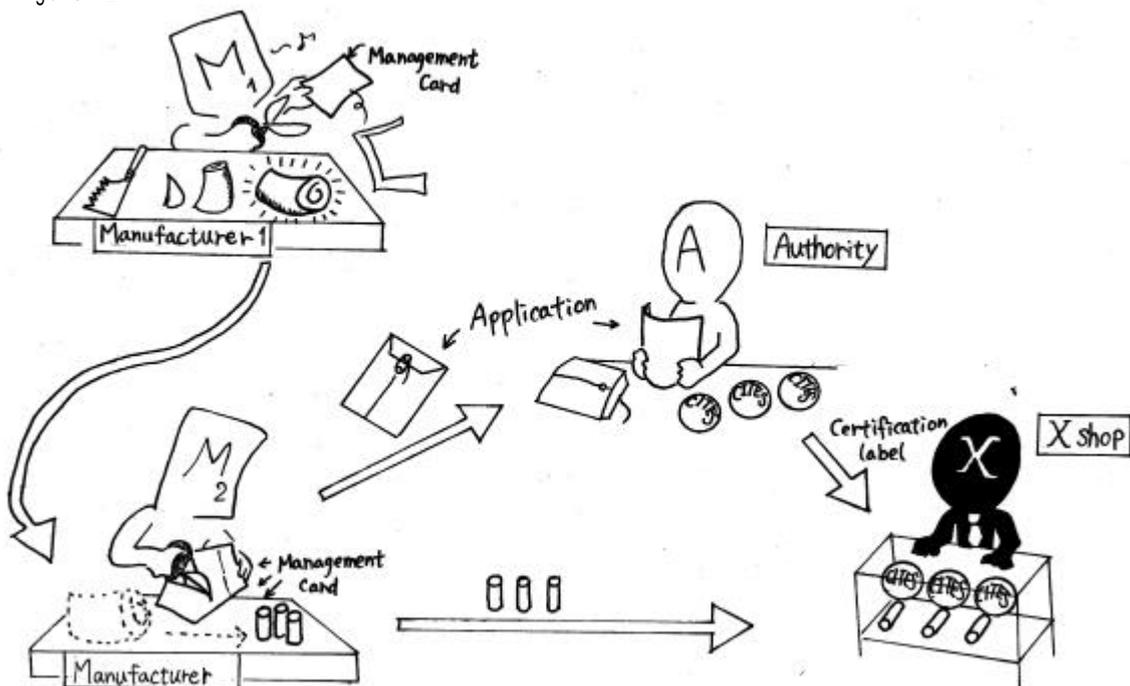
System of voluntary management by dealers (a separated system from the obliged ledger system)

When manufacturers (the dealers to whom the obligation above was applied) cut or processed ivory tusks or pieces, they are eligible to issue ‘management cards’ for each cut/processed piece, in which details of transactions (source and destination of ivory) could be recorded. Final products processed from the ivory pieces with such management card were in turn considered eligible for obtaining certification labels (stickers) which could be issued by the government authorities upon application. The purpose of such certification label was to indicate that the products were made from raw materials obtained in accordance with the CITES regulations (from legitimate sources). The authorities’ hope was that retailers would be motivated to choose certifiable products if they saw their customers preferred products with certification labels, and that it would in turn motivate manufacturers to apply for management cards voluntarily. It was thought to be a system to induce voluntary management by dealers with carrots rather than sticks. <Figure 12>

In the reality, however, it was found that only a fraction (less than 10%) of retailers were using certification labels (TRAFFIC, 1997).

This flaw remains still after the revisions.

<Figure 12>



Section 2: Present defects of the system and potential points for improvement

The comments by the Panel of Experts

Following its inspection and evaluation, the CITES Panel of Experts on the African Elephant made comments on the previous management system of Japan and implied an outline of a desirable system.

The most crucial part of their evaluation and comments was as follows.

“The control of retail trade is not adequate to differentiate the products of legally acquired ivory from those of illegal sources. With the system as currently implemented, it is unlikely that the import of partially worked ivory (e.g. inzais) could be reliably detected. More inspections are needed, including physical checking of the stockpiles.” (Panel, 1997)

From the Panel of Expert’s findings, two points were of significant importance pertaining to the improvement of the system.

- To make it possible to judge whether products in retail market have been made from legally obtained (imported) ivory. (For this purpose it is then necessary to be able to trace the whole transaction process of each product from the retail level, wholesale, manufacture and to the import level.)
- To conduct frequent and efficient inspection, and to be capable of detecting illegally obtained ivory pieces including inzai at the site of inspection.

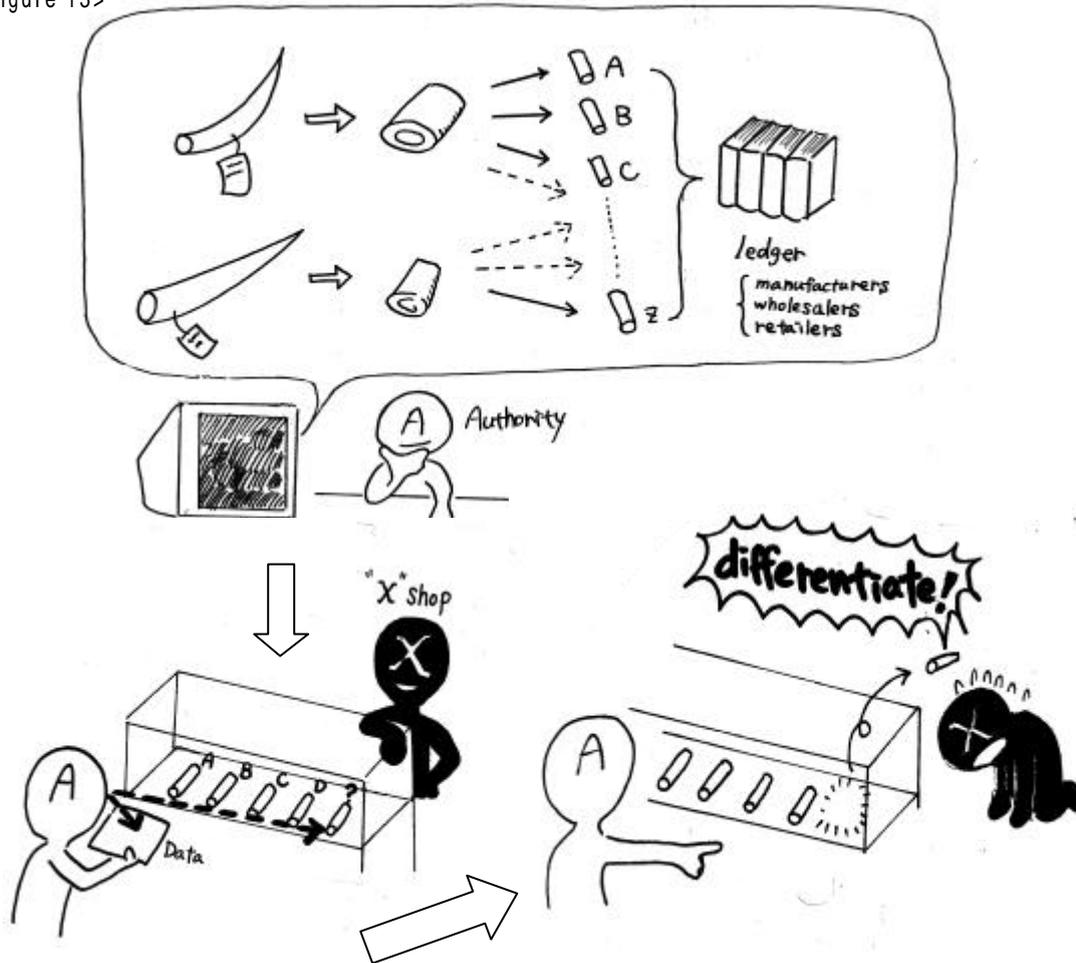
The system implied by the Panel of Experts

The following systems must be considered as means toward fulfilling the requirements suggested by the Panel:

- A) To oblige the dealers to register individual ivory items in their stocks to the authorities or to identify ivory items in their recorded stocks and actual items in their possession followed by the report to the authorities so that they may check the identification effectively.
- B) To provide the data on the transaction process from the products to raw materials, which is regularly collected and updated by the authorities and managed in such a way that the data may be readily and effectively analyzed, prior to inspection.
- C) To eliminate any ivory items from the marketing route, which cannot be proved of legal sources under the system A and B.

<Figure 13>

<Figure 13>



Section 3: The revised management system

Following the evaluation of the Panel of Experts, the Government of Japan has revised the management system of domestic ivory trade.

Under the revised system, the obligatory regulations of the previous system over manufacturers as explained in the section 1 of this chapter (obligations to register businesses, to inquire sources of ivory, and to record the transaction details in a ledger and keep it) has been expanded to include the following businesses:

- All manufacturers, irrespective of the sizes of cut ivory stocks
- Wholesalers and retailers of ivory inzai and hanko

Section 4: Problems of the amended management system

Upon close analysis, we find blatant defects with the amended management system. Namely, the new system simply does not address the requirements for improvement as suggested by the Panel of Experts . The reasons for this conclusion are specified as follows.

4-1: It is impossible to detect illegally obtained ivory products on inspection of dealers' stocks.

The Japanese Government's revised system, however, does not include the system A, B and C. (See "The system implied by the Panel of Experts" in Section 2, Page 27).

Lack of system A (Identification of individual ivory items)

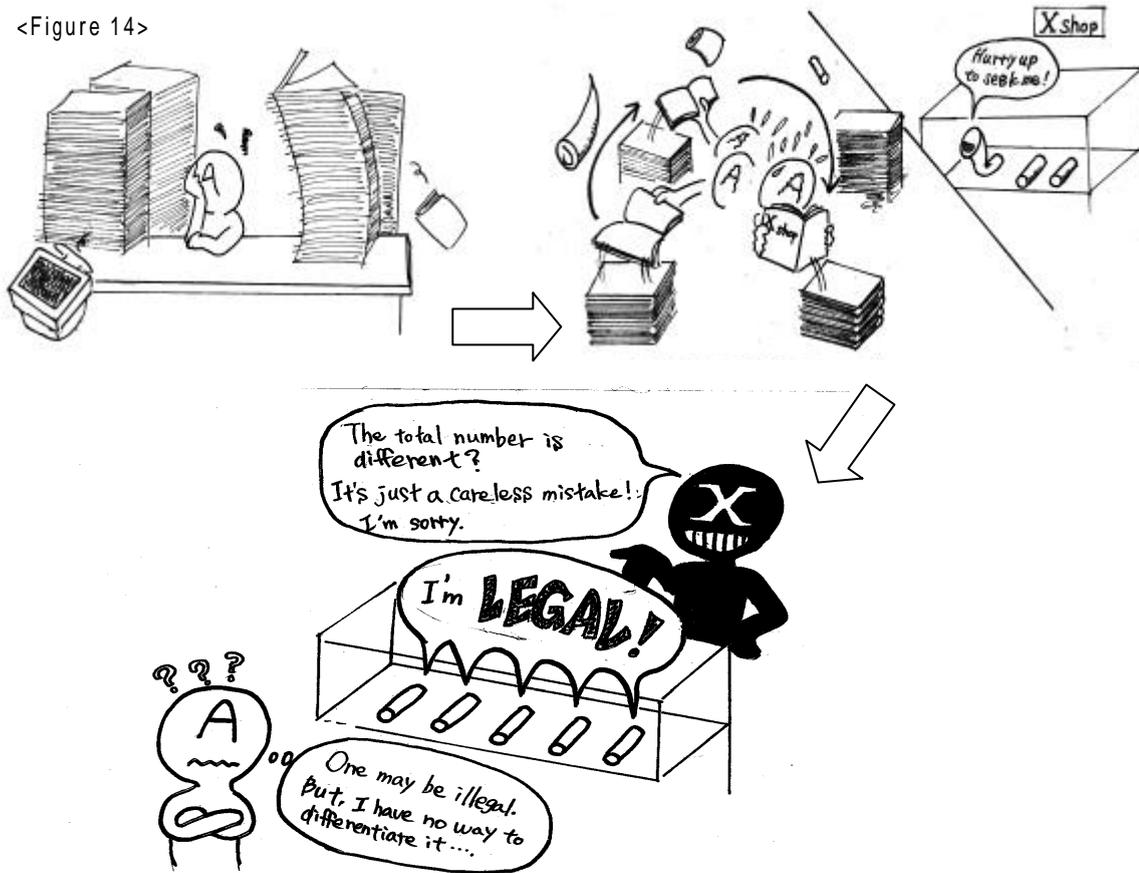
Because of the lack, the authorities cannot identify or differentiate dealers' recorded stocks and actual ivory items in their possession under the revised system.

Lack of system B (Frequent collection and efficient management of data of transaction)

It is also impossible to confirm, prior to inspections, which need to be carried frequently and efficiently, whether raw materials of ivory stocks (products) have been legally obtained. In other words, it is impossible to ascertain the origin of a finished ivory product back to its origin in raw form.

<Figure 14>

<Figure 14>



In order for the ledger-keeping system to operate effectively, the data which must be regularly and systematically collected in manageable fashion by authorities must be put into a well-designed computer database. However, this approach is unrealistic. The ledger-keeping system is inappropriate for operating such a mechanism for frequent data collection and efficient management of data. The reason is complicated by the fact that data in ivory transactions pertaining to individual items exist on separate ledgers according to the level of the ivory dealer. In order to understand where a particular item of ivory may have originated, it is necessary to coordinate all related ledgers concerning wholesalers and manufacturers. The ivory must be accountable along each step of the transaction. For example, one retailer may obtain items from more than one wholesaler. In that case, in order to inspect a single retailer's stock, a number of ledgers have to be collected. This cumbersome process inhibits conducting frequent inspections in an efficient way. Neither would this process be enhanced by using a high-tech database, since much of the initial work requires time-consuming visual inspections by individual persons or workers.

The inadequacy of the revised management system becomes even clearer upon consideration of other pertinent realities of the Japanese ivory market.

As discussed in the Chapter I, ivory changes its form at each stage of the transaction process (i.e. from raw tusk to cut pieces to hanko etc.) This inevitably leads to a lack of consistency on the part of dealers in regards to the contents and descriptions in their ledgers. Under the revised system different ledger forms are to be used for manufacturers and for other dealers. As an example of the difference, manufacturers are required to record weights of their ivory items; while at the wholesale and retail levels numbers of items traded are to be recorded.

Moreover, the structure of the Japanese ivory industry is very complex as some manufacturers are engaged in wholesale and retail, or some wholesalers also are involved in retailing. (See Chapter I)

In addition, the number of hanko retailers adds up to at least 14,000, some indications are that hanko dealers may number as many as 50,000, including stationary stores, mail-order houses and jewelers, throughout Japan.

A large portion of these are small-scale (family) businesses, and it is probable that ledger keeping may not be conducted properly while official monitoring of their operations is practically very difficult.

It is clear from the above points that it is unrealistic to rely on the ledger-keeping system as means to insure that illegal ivory is not laundered through the legal ivory market. That is also the very reason why the Japanese government has given up setting up a mechanism for frequent data collection and efficient management of data. There is no obligation of regular reporting on the part of dealers, and the government is not planning to establish a database to compile data collected from the manufacture to retail levels and to systematically analyze and clarify the transaction processes of each ivory item (JWCS interview with EA, November 1998).

The lack of system C (Prohibition of sales of illegal ivory products)

In reality, there is no prohibition of sales of illegal ivory products under the revised system. (LCES Article 12)

Under the revised system, the authorities may issue necessary instruction when the dealers violates the obligation and may order suspension of business for maximum three months to them when they don't follow the instruction. However, authorities are not entitled to prohibit sales of each item with punishment. This is another important flaw of the system, which should not be overlooked. Judging from its suggestions, the Panel of Experts must have clearly intended that ivory items, which cannot be proved of legal sources, would be eliminated from the market.

Conclusion

In conclusion, the revised ledger-keeping system does not appear to be a system to aim the requirements suggested by the Panel of Experts, i.e. to differentiate illegally obtained ivory at the site of inspection and to eliminate such ivory from the market.

If so, what's the real purpose of the revised system?

It is to omit the work to check and monitor the ivory transaction, which must be assigned to the Government. The revised system is merely in inducing or encouraging dealers to conduct legal trade by to keep data of their own transactions and by suggesting possibilities of inspection and penalties for failing to comply with such obligations.

In order to construct a system with which it is possible to grasp whole transaction routes and to detect illegally obtained ivory items by inspection, it would be necessary, for example, to make it compulsory for dealers at the manufacture through to retail levels to issue for management cards for each of items they handle. Then the authorities would need to be always updated about the distribution of and the data on management cards by obliging dealers to make regular and short-term reporting, so that the up-to-date data can be compiled and managed in a database and be used for inspections. Then the authorities would have to be able to detect ivory items without management cards or with unreported management cards as illegal. Like the above model, a completely different system from ledger-keeping system has to be elaborated for genuinely proper management of Japan's domestic trade in ivory.

4-2: Necessity to regulate other ivory products than hanko / inzai

The revised system limits its target to ivory hanko / inzai, Namely, it is not necessary for wholesalers and retailers to record the data about transactions about other products on the ledger. The reason may be that the large part of raw ivory is processed for hanko / inzai and that the Panel mentioned about inzai especially.

Needless to say, the regulation on the transaction of hanko / inzai should be top - priority. Even if so, it is problematic that the transaction of other ivory products is out of regulation. Ivory dealers tend to form a new demand for several ivory products, for example, polished whole tusk in 1970s (Martin, 1985) and ivory accessory around 1980. (Martin, 1985) Considering that ivory accessory was in fashion around 1980, the possibility that the demand of accessory recovers should be watched out even though the fact is to be taken into consideration that ivory accessory was produced as by - products of hanko in 1970s. (Martin, 1985)

Accordingly, it is necessary to consider the regulation on other ivory products than hanko /inzai, also.

CONCLUSION AND RECOMMENDATION

The management system of domestic ivory trade in Japan does not appear to be a system to fulfil the requirements suggested by the Panel of Experts. JWCS recommends to the CITES Standing Committee and the Government of Japan as follows:

- The Standing Committee should confirm that the Japanese Government's revised management system fails to meet conditions prescribed under the terms of Decision 10.1 Part A, a and extend the existing ban on the international trade between Botswana, Namibia and Zimbabwe and Japan.
- The Government of Japan should radically improve the defects in its revised management system in such a way as to ensure the elimination of illegal ivory from the market.

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ANNEX

Results of the ivory hanko/inzai market survey
Japan Wildlife Conservation Society (JWCS)

31st December 1998

1: Survey outline

Purpose:

To have an overview of the current situation of wholesale and retail markets of ivory hanko and inzai

Survey period:

From late October to November 1998

Method:

Direct mail questionnaire

Targeted respondents:

Wholesalers: 151 wholesalers listed in the directory of "Zen-Nihon Inpan-yohin Shoko-Kumiai"

Retailers: Out of approximately 14,000 retailers listed in the internet business phone directory of NTT 'Townpage', 1,757 retailers were chosen by randomly selecting 30% from each of the following prefectures: Tokyo (1,592 hanko retailers), Osaka (over 1,000), Aichi (729), Fukuoka (646), Hokkaido (618), Kanagawa (539), Yamanashi (526).

Conducted by:

JWCS staff (structuring the questionnaires, collecting and compiling the data)

Questions asked:

As detailed in "Results".

Collected responses:

Wholesalers: 18 dealers (11.9%)

Retailers: 162 dealers (9.2%)

2: Results

(1) Status of ivory products in the market

(a) Wholesale (total 18 responses)

- Question "Do you deal in ivory hanko/inzai?" : Yes – 12 (67%), No – 6 (33%)
- Question "What kind of materials of hanko do you deal in other than ivory?" (aggregate 66 responses): Wood – 24 (36%) (including *tsuge* wood – 11), Buffalo horn – 11 (12%), Plastic – 7 (11%), Titan – 6 (9%), Stone – 5 (8%), Crystal – 5 (8%), Others (including hippo and whale teeth)
- Question "What is the percentage of sales of ivory items out of the total *sales profit*?"
Out of 12 responses, 10 (83%) answered 'below 15%'. The highest percentage

ANNEX

- indicated was '40 - 44 %'.
- Question "What is the proportion of ivory items in the total *number* of hanko/inzai sales?" Out of 9 respondents who clearly indicated some figures, 8 (89%) answered 'below 15%'. The highest percentage indicated was '20-24%'.

(b) Retail (total 162 responses)

- Question "Do you deal in ivory hanko/inzai?" Yes – 144 (89%), No – 17 (10%)
- Question "What kind of materials of hanko do you deal in other than ivory?" (aggregate 705 responses) Wood – 233 (33%) (including *tsuge* wood – 157), Buffalo horn – 138 (20%), Plastic – 71 (10%), Stone – 88 (12%), Crystal – 51 (7%), Titan – 39 (6%)
- Question "What is the percentage of sales of ivory items out of the total *sales profit*?" Out of 125 responses, 103 (82%) answered 'below 15%'. The highest percentage indicated was 'over 90%'.
- Question "What is the proportion of ivory items in the total *number* of hanko/inzai sales?" Out of 125 respondents who clearly indicated some figures, 102 (82%) answered 'below 15%'. The highest percentage indicated was 'over 90%'.

(c) Analysis

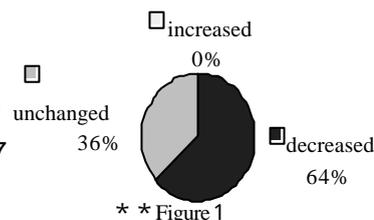
Both at wholesale and retail, there are many dealers who as ever handle ivory hanko/inzai, implying that the high status of ivory as hanko is unquestionable.

Other major materials used for hanko are, in descending order, wood, buffalo horn and plastic. Stone, crystal and titan are also used to certain extent.

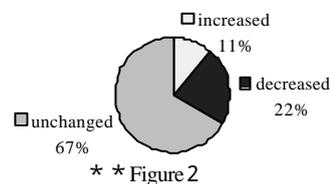
(2) Changes in trade volume and prices of ivory inzai/hanko between the 1996 fiscal year (April 1996 - March 1997) and the 1997 fiscal year (April 1997 - March 1998)

(a) Wholesale (total 18 responses)

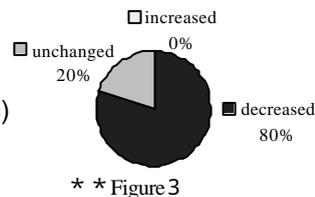
- Question regarding changes in purchase volumes of ivory items from manufacturers: Out of 11 respondents who gave clear answers, none (0%) answered 'increased', 7 (64%) 'decreased', and 4 (36%) 'unchanged'. * * Figure 1



- Question regarding changes in purchase prices of ivory items from manufacturers: Out of 9 respondents who gave clear answers, 1 (11%) answered 'increased', 2 (22%) decreased, and 6 (67%) 'unchanged'. * * Figure 2

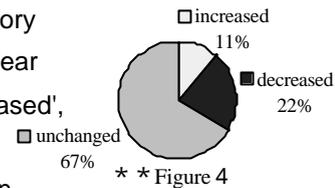


- Question regarding changes in wholesale volumes of ivory items to retailers: Out of 19 respondents who gave clear answers, none (0%) answered 'increased', 8 (80%) 'decreased', and 2 (20%) 'unchanged'. * * Figure 3



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- Question regarding changes in wholesale prices of ivory items to retailers: Out of 9 respondents who gave clear answer, 1 (11%) answered 'increased', 2 (22%) 'decreased', and 6 (67%) 'unchanged'. ** Figure 4



- Following are some of the answers to the question about the reasons for the changes in trade volumes and prices:

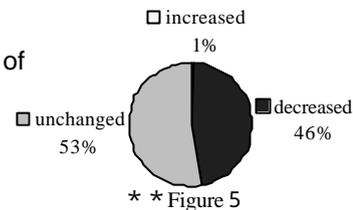
E.g.1 “Since the ban on ivory import consumers have stopped buying ivory products and ivory inzai do not sell. They are too expensive now.”

E.g.2 “Partly because of the downward economic condition, demand for ivory is decreasing, or it tends to be mainly for cheaper inzai if any.”

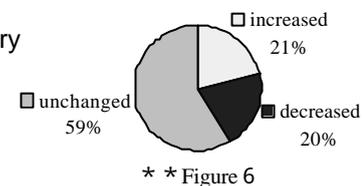
E.g.3 “Manufacturers seem to have enough stock of high-quality expensive ivory, but stock of normal-quality ivory (which can be sold at reasonable prices) is running short.”

(b) Retail (total 162 responses)

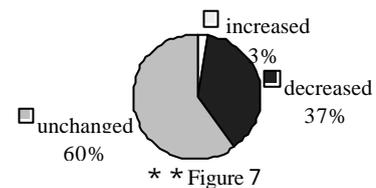
- Question regarding changes in purchase volumes of ivory items from wholesalers: Out of 107 respondents who gave clear answers, 1 (1%) answered 'increased', 49 (46%) 'decreased', and 58 (53%) 'unchanged'. ** Figure 5



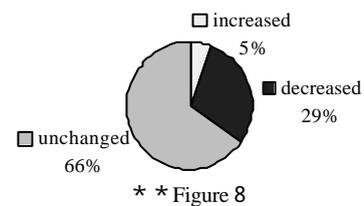
- Question regarding changed in purchase prices of ivory items from wholesalers: Out of 103 respondents who gave clear answers, 22 (21%) answered 'increased', 21 (20%) 'decreased', and 60 (59%) 'unchanged'. ** Figure 6



- Question regarding changes in retail volumes of ivory items: Out of 63 respondents who gave clear answers, 2 (3%) answered 'increased', 23 (37%) 'decreased', and 38 (60%) 'unchanged'. ** Figure 7



- Question regarding changes in retail prices of ivory items: Out of 55 respondents who gave clear answers, 3 (5%) answered 'increased', 16 (29%) 'decreased', and 36 (66%) 'unchanged'. ** Figure 8



- Following are some of the answered to the question about the reasons for the changes in trade volumes and prices:

E.g.1 “As a result of the massive media reporting on the CITES

(ban), many customers started ordering buffalo horn hanko instead of ivory. There has

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not been any detailed news on development of the ivory issue since then, so we have not had orders for ivory hanko yet today.”

E.g.2 “Since the import ban prices have gone up and ivory hanko cannot sell at retail prices.”

E.g.3 “Retail prices are too high. We should import a lot and lower the cost.”

E.g.4 “I think if trade is reopened and the economy recovers, demand will increase.”

E.g.5 “Customers think that there is no ivory in the market.”

E.g.6 “Wholesaler prices of ivory inzai have become high.”

E.g.7 “There is very few orders for ivory hanko because customers are now prejudiced that ivory is too expensive or there is no ivory in the market.”

E.g.8 “Thanks to today’s economic recession sales of ivory hanko has gone down significantly. Orders for cheap hanko are increasing.”

(c) Analysis

Between the 1996 and the 1997 fiscal year, trade volumes of ivory hanko/inzai have decreased at all levels of transactions, i.e. wholesales from manufacture-original wholesalers to wholesalers, wholesales from wholesalers to retailers, and retails.

As for prices, during the same period any clear trend of increase or decrease has not been seen for wholesale prices between manufacture-original wholesalers and wholesalers as well as between wholesalers and retailers. On the other hand, retail prices have been showing a rather downward trend.

It is thought that if manufacture-original wholesalers (wholesalers) increase their prices in sales to wholesalers (retailers), in effect it will become unprofitable for wholesalers (retailers) to deal in ivory inzai (hanko) at such high cost and may reduce demand, thus in some cases dealers refrain from making higher prices though they want to increase the prices because of the shortage of stockpile.

On the contrary, there is a tendency of falling prices at retail. The reason of falling is thought that the retailers cannot help responding the purchasing power of consumers.

As a retailer commented “retail prices are too high. We should import a lot and lower the cost” ((b) E.g.3), it can be said that both manufacture-original wholesalers, wholesalers and retailers are longing for supply of ivory inzai for lower prices to activate the sales of ivory hanko / inzai.

(3) Specific price of ivory hanko / inzai

- Question regarding specific prices of ivory hanko/inzai

(a) Wholesale prices from manufacturers to wholesalers (answers from several wholesalers)

Size (mm)	Quality	Price (JPY)	(USD)
15 x 60	(Normal)	4,200	36.5
15 x 60	(Superior)	13,000	113.0
12 x 60	(Normal)	3,500	30.4
12 x 60	(Superior)	6,500	56.5

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(b) Wholesale prices from wholesalers to retailers (answers from several wholesalers)

Size (mm)	Quality	Price (JPY)	(USD)
15 x 60	(Normal)	5,000	43.5
15 x 60	(Superior)	18,000	156.5
12 x 60	(Normal)	4,000	34.7
12 x 60	(Superior)	7,500	65.2

(c) Retail prices (answers from several retailers)

Size (mm)	Quality	Price (JPY)	(USD)
15 x 60	(Normal)	11,000 / 20,000 / 30,000	95.7 / 173.9 / 260.9
15 x 60	(Superior)	50,000 / 60,000 / 80,000	434.8 / 521.7 / 695.7
12 x 60	(Normal)	13,000 / 15,000	113.0 / 130.4
12 x 60	(Superior)	25,000 / 35,000	217.4 / 304.3

(d) Analysis

The range of specific prices is as shown above.

Judging from these prices, wholesalers add profit and various expenses of approx. 20-40% to wholesale prices from manufacturers when supplying to retailers, while retailers put approx. 2-3 times and 4-6 times of wholesale prices to 'normal' quality items and 'superior quality' items respectively as retail prices. The difference include profit, costs of name carving on the hanko and various expenses.

(4) The most popular type of ivory hanko / inzai

• Following are answers to the question "What is the most popular type (size and material) of ivory hanko in your shop?":

(a) Wholesale

Diameter (10 responses) : 15mm - 7 (70%), 12mm - 3 (30%)

Length (9 responses) : 60mm – 8 (89%), 45mm – 1 (11%)

Rank of material quality (8 responses): Normal (Low) – 6 (75%), Medium – 1 (13%), High (Superior) – 1 (13%)

(b) Retail

Diameter (57 responses): 15mm – 50 (88%), 12mm – 4 (7%)

Length (56 responses): 60mm – 53 (95%), 45mm – 3 (5%)

Rank of material quality (48 responses): Normal (Low) – 26 (54%), Medium – 6 (13%), High (Superior) – 14 (29%)

(c) Analysis

Size of 15mm (diameter) x 60mm (length) appears to be the most popular and widespread. The following is the size with diameter of 12mm. As for material quality,

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among the ranking 'extra superior', 'superior', 'medium' and 'normal (low)', the most popular is 'normal (low)'.

(5) Other characteristics of ivory hanko/inzai market

- Question to wholesalers whether they are engaged in retail: Out of 11 respondents 2 (18%) answered 'Yes', and 9 (82%) answered 'No'.
- Question to wholesalers whether they are engaged in manufacturing of ivory inzai: All of 12 respondents (100%) answered 'No'.
- Question to wholesalers "In what form do you get supply of ivory inzai from manufacturers?" All of 12 respondents (100%) answered 'polished inzai', and none answered 'semi-processed (rough-cut) inzai' or 'unpolished inzai'.
- Although there was no question regarding the amount of wholesale volumes in one transaction from wholesalers to retailers, some retailers reported as follows:
 - "We get supply of two or three pieces a year."
 - "We basically rely on our stock. Occasionally we might buy a few to several pieces from wholesalers."

These statements imply that some retailers get supply of ivory inzai/hanko in an extremely small scale (it could be even one piece at one time) from wholesalers.

(6) Hard ivory and soft ivory in the market

(a) Wholesale (total 18 responses)

- Question "Do you know there is a distinction between hard and soft ivory?" Out of 10 respondents who answered the question, all (100%) answered 'Yes'.
- Question regarding the ratio of hard ivory and soft ivory in their dealing: Answered by 10 respondents as follows:

Hard: Soft	Number of respondents
1: 9 to 0: 10	5 (50%)
2: 8	0 (0%)
3: 7	0 (0%)
4: 6	1 (10%)
5: 5	2 (20%)
6: 4	0 (0%)
7: 3	0 (0%)
8: 2	0 (0%)
9: 1 – 10: 0	1 (10%)
Ration unknown	1 (10%)

(b) Retail (total 162 responses)

- Question "Do you know there is a distinction between hard and soft ivory?" Out of 80 respondents who answered the question, 60 (75%) said 'Yes', 9 (16%) said 'Do not know specific differences', and 11 (14%) answered 'Never heard of such distinction'.

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- Question regarding the ratio of hard ivory and soft ivory in their dealing: Answered by 59 respondents as follows:

Hard: Soft	Number of respondents
1: 9 to 0: 10	12 (20%)
2: 8	6 (10%)
3: 7	2 (3%)
4: 6	1 (2%)
5: 5	4 (7%)
6: 4	1 (2%)
7: 3	4 (7%)
8: 2	5 (8%)
9: 1 – 10: 0	17 (29%)
Ration unknown	7 (12%)

(c) Analysis

Comparing the ratio of hard and soft ivory in the dealing, the volume of soft is larger at wholesale while the ratio is mostly same at retail.

(7) Asian ivory hanko / inzai in the market

(a) Wholesale (total 18 responses)

- Question “Do you deal in inzai made from Asian ivory?” Out of 10 respondents who answered the question, 2 (20%) said ‘Unknown’, none (0%) answered ‘Yes’, and 8 (80%) clearly answered ‘No’.

Consequently, no answer could be obtained to questions regarding the ratio of Asian ivory inzai in their dealing (trade volume) and price difference between Asian ivory and African ivory items.

(b) Retail (total 162 responses)

- Question “Do you deal in inzai made from Asian ivory?” Out of 131 respondents who answered the question, 13 (10%) said ‘Yes’, 78 (60%) ‘No’, and 40 (31%) ‘Unknown’.
- Question regarding the ratio of Asian ivory items in their total trade volume ivory hanko/inzai: Out of 12 respondents who answered the question, 1 (8%) answered ‘over 90%’, 1 (8%) indicated figures between 70-90%, 1 (8%) between 30-50%, 2 (17%) between 10-30%, and 3 (25%) answered ‘below 10%’. 4 (33%) said “The ratio unknown.”
- Question regarding differences in prices between Asian ivory and African ivory inzai/hanko: Out of 14 respondents who answered the question, 3 (21%) said, “on the whole Asian ivory items are more expensive”, 6 (43%) “on the whole African ivory items are more expensive”, and 5 (36%) answered ‘not known’.

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(c) Analysis

With regard to retailers, 10% of respondents deal in Asian ivory. Furthermore, there is a dealer who deals in Asian ivory in high portion .

It is not so clear if the dealers can differentiate Asian ivory from African ivory correctly. But, the important fact is that those dealers themselves recognize that they deal in Asian ivory inzai. This means that Asian ivory has still been given a specific status as a commodity in retail market of ivory hanko since the import was banned in 1980 in Japan.

On the other hand, no wholesaler responded that they deal in Asian ivory inzai. How is this difference explained? Asian elephant has been listed in the Appendix I and trade in its derivatives has been banned since before Japan became a member of the CITES in 1980. Unlike retailers who may be dealing in commodities other than hanko/inzai, wholesalers have stronger interest in the ivory issue in general and they must be more aware of such status of Asian ivory. Therefore, it can be incurred that wholesalers may have treated the question cautiously. In fact, there are some wholesalers who avoided this particular question only in the whole questionnaire.

Regarding the price of hanko of Asian ivory and one of African ivory, which may include hard and soft shall be picked out and analyzed as follows.

With regard to retailers, 21% of respondents regard that Asian ivory is more expensive than African ivory and 43% of them responded the opposite.

In that respect, it should be noted that generally speaking, nearer place to central part of raw ivory, it gets finer-textured to be more luxurious and expensive and that it is difficult to produce many hanko with fine-texture from Asian and hard ivory tusk because the tusk of Asian and forest elephant is generally smaller and can produce less amount of inzai out of it than one of savanna elephant. That's why Asian and hard ivory hanko with fine-texture, put in high rank or so-called "superior" or "extra- superior" is relatively rarer.

If so, African soft ivory hanko may be more expensive than Asian ivory one when the comparison is simply done without consideration of the rank of products at the shop.

Accordingly, if the prices of Asian ivory and African soft ivory are compared with at each rank of ivory, different result may be gained.