



SAIIA Submission to Committee of Inquiry to deliberate on matters relating to a possible trade of Rhino Horn

Purpose:

This submission aims to provide a balanced argument for policymakers to consider regarding South Africa's position on a legal trade in rhino horn for the 17th CITES meeting to be held in 2016. It briefly cites the current problem facing South Africa's rhino's before presenting arguments typically offered in favour of a regulated legal trade in rhino horn. It then analyses the necessary and sufficient conditions that would have to practically be satisfied in order to ensure the success of a regulated trade. We conclude with further points for the committee to consider.

Problem:

Rhino poaching in South Africa has, on average, doubled each year over the past five years. If poaching continues to accelerate at this level, Africa's remaining rhino populations may become extinct in the wild within 20 years.ⁱ

Arguments typically offered in favour of a regulated legal trade:

1. The currently enforced CITES ban on the trade in rhino horn, in place since 1977, has failed.
2. Persistent and growing global demand for illegal supply has generated higher prices (in the region of \$65 000 per kilogram on the black market), driving poaching on an unprecedented scale. The demand is inelastic, widespread and driven by a number of intractable factors.
3. Like other high-value illicit goods, banning their trade only increases incentives for poachers to become more sophisticated. Stronger enforcement methods will simply be undermined by the co-option of conservation officers and customs officials. Increasingly militaristic responses from conservation bodies only divert scarce resources away from other conservation efforts.
4. Given these simple supply and demand dynamics, the only workable solution is a carefully regulated trade based on the humane and renewable harvesting of horn from live white rhinos.
5. As rhinos become increasingly scarce, the price will soar even higher.
6. Rhino horn is renewable, growing at a rate of 0.9kg per year. Sedation and horn shaving can be performed for as little as \$20. 'The current speculative estimates of the demand for horn based on the illegal supply could therefore be met by the 5 000 white rhinos on private conservation land in South Africa alone.'ⁱⁱ

7. Income generated for conservation through a legal trade in rhino horn is substantial. 'A legal trade could simultaneously supply horns, fund rhino protection, and provide an incentive for their sustainable use and long-term survival.'ⁱⁱⁱ

However, there are a number of hidden assumptions in these arguments. There are, for instance, certain conditions that must be met in order for a regulated legal trade to overcome the problem of impending rhino extinction.

Conditions under which a regulated trade would purportedly succeed in preserving rhino's:

1. Regulators must be able to limit significantly the laundering of illegal supply under cover of a legal trade.
2. Supply generated by the legal trade can deliver the horn to market more reliably and efficiently than syndicates are currently doing.
3. Demand should not escalate even further as a function of the reduction-in-stigma effect (currently in operation through the CITES ban). If new demand cannot be satiated by legal supply, the incentive to poach rhino's will not be removed.
4. Legally harvested horns can reliably substitute for horns obtained from wild, poached animals.

We deal with each of these conditions in turn.

First, though the technology undoubtedly exists to equip law-enforcement officials to identify legal horn, the assumption that technological availability will lead to effective implementation overnight is naïve. The current network of transport routes through which existing illegal supply travels evidently works very efficiently. The hidden assumption is that technological absence is the only current inhibitor to detecting illegal horn. This seems implausible. Moreover, this same technology also equips buyers to distinguish between genuine and synthetic horn. Supply of synthetic horn could disappear as a result, placing more pressure on the supply of both wild and farmed rhino horn. This may incentivise further poaching to satisfy foregone synthetic supply.

Second, proponents argue that the legal trade entails lower transaction costs and will 'attract buyers away from the illegal market.'^{iv} This appears at best to be an assertion unsubstantiated by supporting evidence. Networks of illegal buying are well established, and a large degree of trust exists between buyers and sellers to facilitate illicit trade. If the trade were legalised, it is plausible to assume that syndicates, being adaptively efficient, would simply launder illegal supply. Moreover, turf wars are likely to erupt and syndicates would 'seek to interrupt the regulated supply chain through acts of sabotage and even stronger poaching effort.'^v The argument that a central selling organisation (CSO) should be established as a sole supplier of legal horn is weak. The auditing of stockpiles entails extensive transaction costs, nullifying the initial attractiveness of the argument that a legal trade involves lower transaction costs. In addition, the length of time it would take to convince all signatories to CITES that a legal trade is plausible is cause for concern. The time taken thereafter to establish all the necessary customs-control and selling systems further undermines the argument that the legal trade would entail lower transaction costs. Given that it would then become a long-term goal, one might argue that, for the sake of allocating scarce resources efficiently, demand reduction would yield greater results in the long run. This is a vexing issue, because trade legalisation and demand reduction are mutually incompatible strategies. Policymakers would have to choose now between either.

Third, in an ideal world, rhino population growth would grow sufficiently to meet rising demand, and 'later sales can be used to dampen the price of horn should it escalate dangerously.'^{vi} That the proponents of legal trade recognise such a risk (of dangerous escalation) should be cause for concern. Sufficient stock may simply not exist to extinguish escalating demand once a signal is sent to the market that horn is a legitimate purchase. 'Legal access to rhino horn risks reawakening demand in older markets, such as Taiwan, Japan, Singapore and Yemen.'^{vii} On the supply side, 'there is currently insufficient evidence as to whether farmed rhinos would breed at the same rate as in the wild. An additional concern is that South Africa's white rhino population is based on a very small gene pool.'^{viii} Either way, estimates suggest that it would take at least five years for an adult rhino population to produce a generation sufficiently mature for regular harvesting of horn. Many trade proponents point to the success of the trade in crocodile skins as an analogous policy lesson. But rhino's and crocodiles are fundamentally different creatures. 'Unlike rhino horn, crocodile skin has substitutes, is not consumed, and is not believed to have medicinal or religious applications.'^{ix}

Fourth, proponents of the trade tend to ignore the very real problem of the specific conditions under which the current demand market operates. The high value of illegal horn is surely not exclusively a function of scarce supply. Whether legally harvested horns can reliably substitute for wild horns is an as yet unanswered question. The dynamics of demand need to be far better understood before this call can be made.

Discussion:

Trade proponents argue that despite 'education, enforcement, protection, and awareness efforts aimed at reducing the use of horn', these have failed to stem rising demand. As such, morally repugnant as it may be, a legitimate regulated trade may be the 'only way to prevent extinction of Africa's remaining rhino'.^x Those opposed to the trade argue more persuasively that 'psychological principles of persuasion, attitude, and behaviour change have been used effectively for decades, but they have largely been ignored or underutilised within biodiversity conservation.'^{xi} This argument is borne out by the fact that consumer tastes, which inform demand, are not static. That they are dynamically shifting means that with a strategically targeted demand-reduction campaign, tastes can change. These campaigns have to help consumers make the connection between their consumption behaviour and the consequences of that behaviour for the rhino itself.

Within South Africa, some libertarian economists argue that 'rhino's are only worth more dead than alive because it is currently illegal to harvest and trade horn.'^{xii} This is an unsubstantiated claim that does not control for the aberration (mentioned below) that CITES does not currently ban the trade in products of extinct species. Neither does the claim consider that the price of horn may well not decline if the trade is legalised.

The argument that a trade ban limits supply, thus pushing up the price and incentivising more poaching, is not convincing. To the extent that it is, it may be more attributable to a legal aberration in CITES than anything else. CITES allows trade in the product of extinct species (which most commentators agree creates a perverse incentive to poach, defeating the ends of conservation altogether). Syndicates currently have an incentive to poach living stock to satisfy current demand, in addition to creating their own stockpiles to supply a more lucrative market in the future (if extinction in the wild does actually occur). Changing the CITES regulation in this regard is a low-hanging fruit, and all parties should push for it.

Overall, this submission has shown that the question of a legalised trade in rhino horn is complex. The debate tends to be highly polarised, and this is unhelpful. The pro-trade lobby is relatively powerful, and the simple economic arguments can sound persuasive (notwithstanding the profits that some private businesspeople would stand to make from the trade). It is imperative, however, that the committee of inquiry examines carefully the hidden assumptions outlined above, and the potential problems entailed in trade legalisation.

Endnotes:

ⁱ Biggs, D., Courchamp, F., Martin, R., & Possingham, H. P. (2013). Legal Trade of Africa's Rhino Horns. *Science*, 339(March), 1038–1039.

ⁱⁱ *Ibid.*, p. 1038.

ⁱⁱⁱ *Ibid.*

^{iv} *Ibid.*, p. 1039.

^v Collins A, Fraser G and J Snowball, 'Rhino poaching: Supply and demand uncertain', a letter in response to Biggs et al, *Science*, 339, p. 1167.

^{vi} Biggs et al, *op. cit.*, p. 1039.

^{vii} Prins H and B Okita-Ouma, 'Rhino poaching: Unique challenges', letter in response to Biggs et al, *Science*, 339, p. 1168.

^{viii} Collins et al, *op. cit.*, p. 1167.

^{ix} Prins H and B Okita-Ouma, *op. cit.*, p. 1168.

^x Biggs et al, *op. cit.*, p. 1039.

^{xi} Litchfield C, 'Rhino poaching: Apply conservation psychology', letter in response to Biggs et al, *Science*, 339, p. 1168.

^{xii} Lamberti R, 'Rhinomics: 7 myths busted', <http://russlamberti.com/rhinonomics/>, accessed 13 March 2015.