

CHAPTER 1

ASIAN DEMOGRAPHICS, THE CULT OF THE LUXURY GOODS INDUSTRY AND ITS
AFTERMATH FOR ENDANGERED WILDLIFE.

AUTHOR: DEX KOTZE

1. BACKGROUND

Between 1979 and 1989 Africa lost 600 000 elephants, killed by criminals when a relentless demand for ivory from Asia had the numbers of elephants plummet across central Africa. Today less than 400 000 elephants are left in Africa. The continent is losing 4 elephants every hour. There are less than 20 000 lions left in Africa, of which only approximately half live in the wild, whilst breeding of captive lions make up the rest and are used for the canned lion hunting industry. Pangolins are endangered species that face extinction due to demand from China and Vietnam. There are roughly 25 000 rhinos left in Africa and South Africa is the largest range state, with numbers already below 20 000. We are losing 3 rhinos per day due to the criminal activities of unscrupulous men causing havoc in especially Kruger National Park.

The insatiable demand from Vietnam and China has resulted in over 3500 rhinoceros killed since 2007, often in the most gruesome circumstances when their horns are brutally removed whilst they are still alive. It is no secret that China has emerged as the world's leading driver of illegal trade in ivory ever since CITES approved the once off sale of ivory in 2008. For the first time in Africa's history, large numbers of Chinese are living in Africa, collecting ivory and/or rhino horn and shipping it out to Asia. According to the Kenya Wildlife Service, 90 percent of seized ivory involves Chinese and since 2007 the amount of illegal ivory seized has gone up by 800 percent.

China has already overtaken Japan as the second largest consumer nation of luxury products after the USA. There is more disposable income in China today than ever before and predictions are that China will boast a larger economy than the USA by 2025. For the first time in Africa's history, large numbers of Chinese are living in Africa, collecting ivory and/or rhino horn and shipping it out to Asia.

The status of luxury goods has fueled an obsessive-compulsive behavior for millions in Asia. Over two-thirds of luxury spending by Chinese was made overseas in 2013 and Chinese remain the largest nationality of luxury buyers worldwide, with purchases that make up 29 percent of the global market, according to the China Luxury Market Study from consultancy firm Bain & Company (<http://bit.ly/1b8anoG>).

The explosive growth of Asian economies described below, coupled with an obsessive-compulsive need for luxury goods in these nations do not bode well for any legalized trade in rhino horn. Priced in excess of \$75 000/kg on the black market, it is a *fait accompli* that legal trade in rhino horn will facilitate a surge in demand for the most sought after product in the ubiquitous obsession for status symbols amongst Asian people.

2. POPULATION MATTERS

In 1950 there were 2.5 billion people on planet Earth. Today it is over 7.2 billion. Projections are that 11 billion people will inhabit the earth 36 years from now, peaking at 16 billion by 2100. In 1950 China's population stood at 550 million, growing to 1 billion in 1981. The current population in China, 1.34 billion, will peak at 1.6 billion in the early 22nd century.

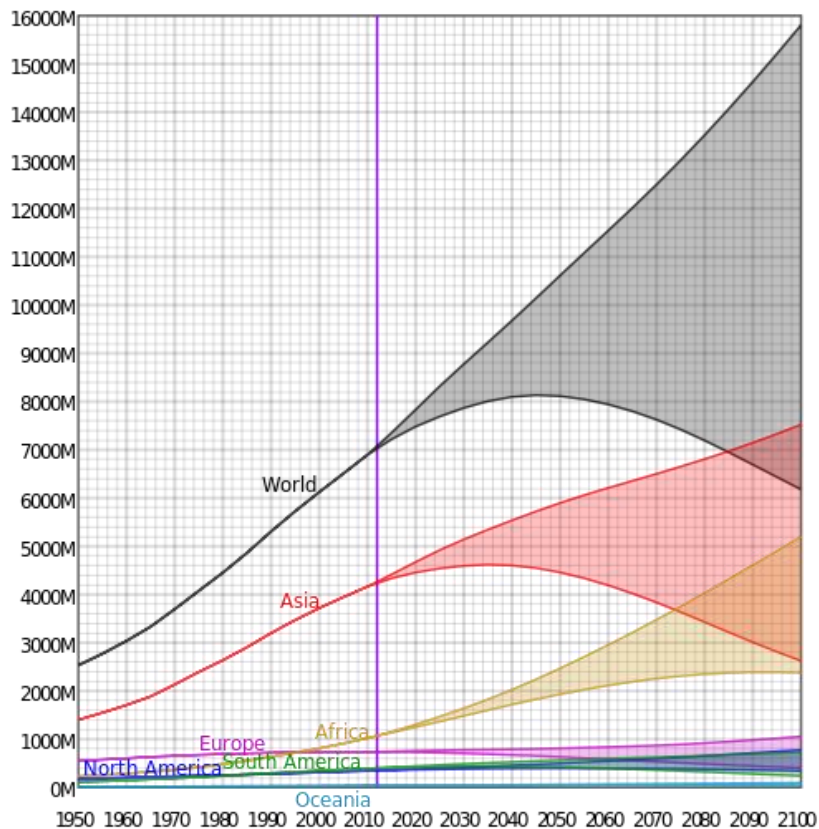


Table 1

3. CHINA'S GDP

There are 5 provinces in China with a greater GDP than South Africa. China's economy has grown exponentially over the last 25 years, of which many were in double-digit figures. At the World Economic Forum in Davos in 2014, Chinese leader Xi Jinping predicted a 7% growth for China over the next 10 to 20 years. In 2014 alone 12 million new jobs will be created. During the 2008 recession, China lost 40 million jobs (in USA it was less than 10 million). The Chinese government is intent on creating a bigger economy less dependent on exports, but focusing rather on domestic consumption. In Davos, Jinping discussed plans to urbanize 60% of China's population by 2020, resulting in 840 million people living in 1st to 3rd tier cities. The greatest potential for domestic expansion lies in urbanization. Only one fifth of the population lived in cities in 1979.

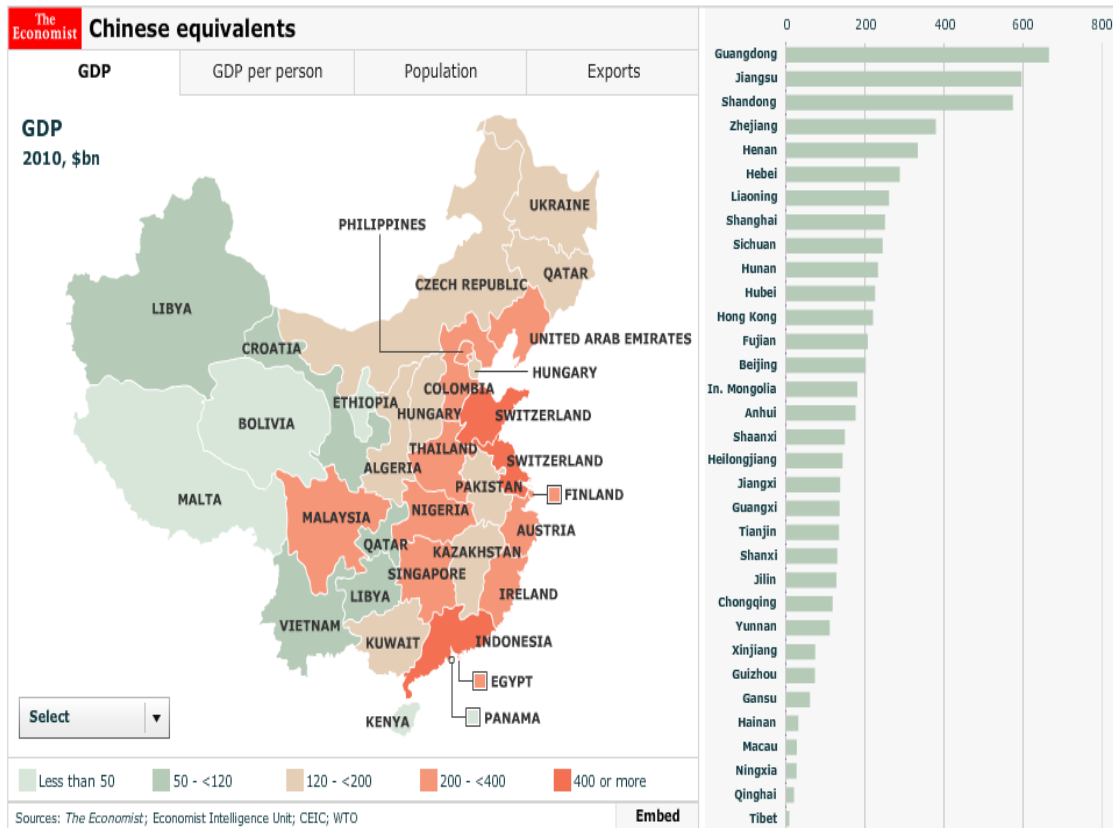


Table 2

4. CHINA’S ULTRA HIGH NET WORTH INDIVIDUALS (UHNWI)

The number of UHNWI is expected to grow 80% until 2023. This will exceed the billionaires in the UK, France, Switzerland and Russia combined. China will add \$1 trillion to the global GDP every year this decade, adding another Germany or Japan to the world by 2023. According to the consulting firm Bain & Co, Chinese luxury shoppers accounted for 28% of global luxury sales in 2013, roughly \$84 billion. China is forecast to remain the world’s biggest luxury goods market by 2020. Of all UHNWI in China, 27% have already emigrated and 47% are considering leaving (Boston Consulting). Wealthy consumers are on average 20 years younger in China than those in Japan or the USA. The luxury market, as defined by consumers, is valued at \$1.8 trillion worldwide.

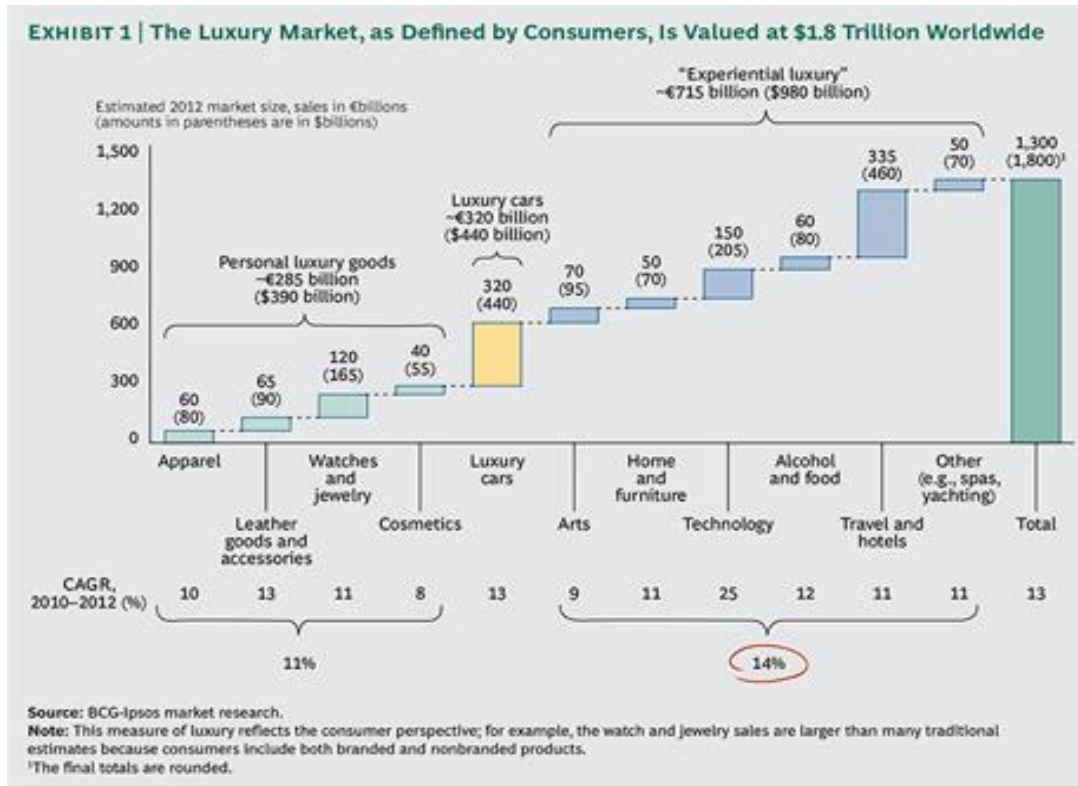


Table 3

5. CHINA'S AFFLUENT MARKET

At 120 million people, China's affluent market is richer than its middle class. The affluent market's buying power tops \$590 billion and is expected to grow to 280 million people by 2020, equal to 20% of the Chinese population. Spending will grow fivefold to \$3.1 trillion, equal to 35% of China's total consumption or 5% of global consumption. Nearly 50% of China's population was not wealthy 7 years ago. This affluent market's consumption is 28% larger than Germany in total.

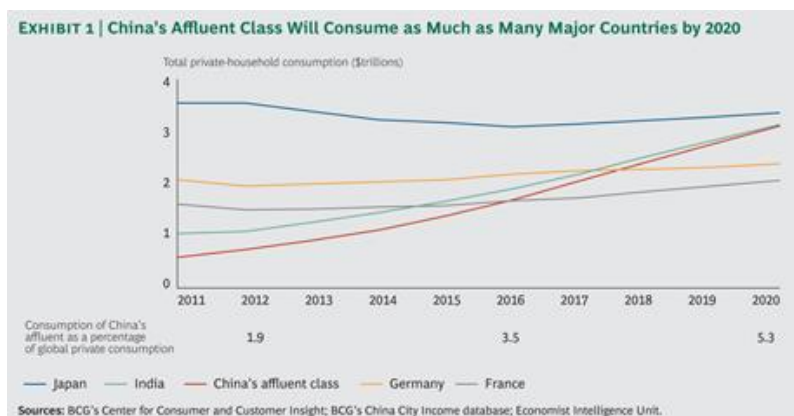


Table 4

6. CHINA'S MIDDLECLASS

McKinsey & Co states that China's middleclass is 250 million people and will grow to 600 million by 2020. Each earn a minimum of \$34 000 a year and 51% will live in cities in the next 8 years. The middleclass contribute 38% to the national GDP in consumption expenditures. In 1981, only 2.4% of students were eligible for university entrance and by 2003 this figure had grown to 52%.

7. CHINA'S DIRECT FOREIGN INVESTMENTS (FDI)

China is the world's largest saver. Capital outflows in 2012 were \$84 billion and is expected to grow to \$1 trillion plus by 2020. China invests heavily into developed countries, creating jobs and infrastructure. Chinese investment at the Royal Albert Dock (near London City Airport) tops \$1.6 billion, aimed at accommodating the Chinese businesses and will create 20 000 jobs. China-Africa trade reached \$198 billion in 2012 (exports \$85bn, imports \$113bn). The cumulative stock investment has grown from \$500 million in 2003 to \$22.9 billion in 2012. Dalia Wanda is investing \$1.09 billion in a luxury hotel in London, planning to do the same in New York and 8 to 10 of the largest international cities. In Australia a \$3.7 billion casino is being built at the Great Barrier Reef. There are well over 2000 Chinese companies deeply invested in Africa.

(<http://www.thebeijingaxis.com/tca/editions/the-china-analyst-sept-2013/201-chinas-increased-presence-in-the-developed-world>)

<http://www.thebeijingaxis.com/tca/editions/the-china-analyst-sept-2013/202-the-growing-global-influence-of-chinese-consumers>

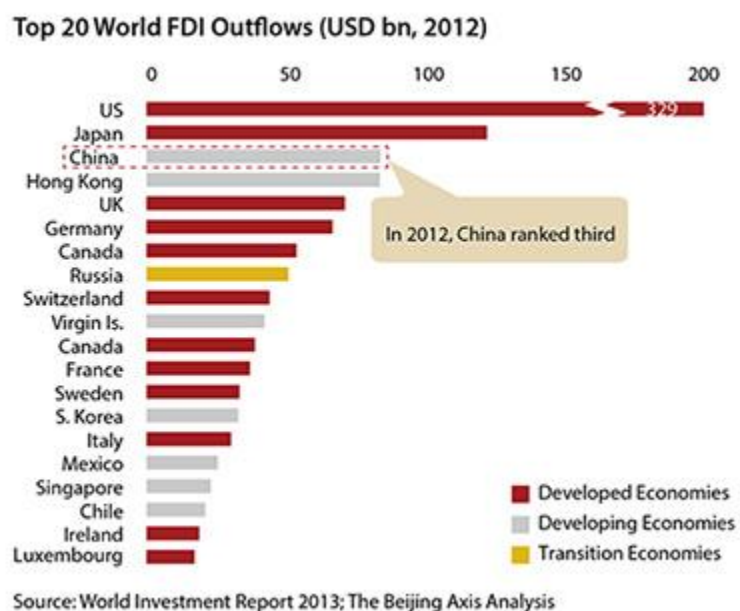
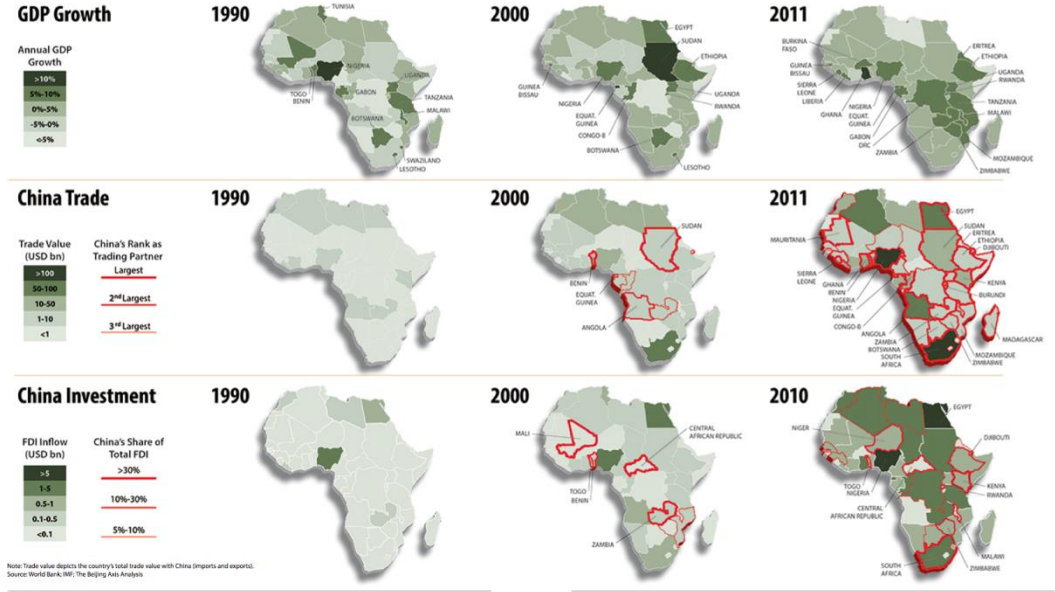


Table 6

Mapping China in Africa's Growth Story

While Africa has certainly benefited from soaring global resource demand, other aspects such as the continent's ongoing infrastructure construction boom as well as its blooming middle class have been key catalysts in driving China's engagement with the region. As depicted in the map below, China's growing presence, as both an investor and leading trading partner, is expected to continue reshaping the continent – and the global economy – for decades to come. *By Beijing Axis Strategy*



26 | The Beijing Axis

27 | The Beijing Axis

Table 7

*<http://www.thebeijingaxis.com/tca/editions/the-china-analyst-oct-2012/139>

8. CHINA'S OUTBOUND TOURISM

Ten million Chinese tourists travelled outbound in 2000. This figure increased to 83 million by 2012. Chinese travellers are one of the highest per capita spenders. Europe's luxury goods brand are benefiting enormously from this.

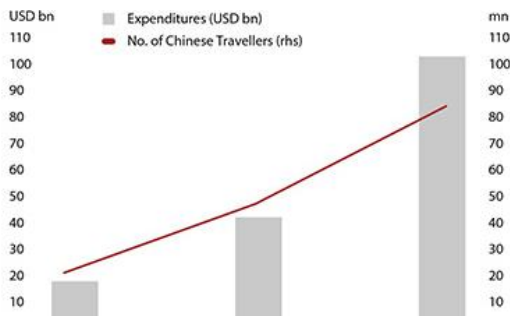


Table 8

9. CHINA'S WORKFORCE

China's labour force is aging. The average worker is 37, but twenty years ago it was 23. The national policy stipulates that the minimum wage is raised 20% per annum. Over 200 million Chinese are over 60 and it will be more than 430 million by 2030. Due to higher wages, many international companies will move manufacturing to ASEAN countries.

10. THE BARE BRANCHES (GUANG GUN)

Since China adopted the one-child policy in 1978, over 300 million births have been prevented. The ratio of male to female births are 119 to 100 and as high as 135 to 100 in some provinces. There are 32 million more males than females under the age of 20, expected to grow to 55 million by 2020. According to the Chinese Academy of Social Sciences, over 55 million men born from 1983 to 2020 will never be able to find a wife. This phenomenon, referred to as China's "bare branches" because they will not be able to provide new branches of family trees if they remain unmarried, could lead to social instability as the large gender gap affects both the labour market and the marriage market. From 2001 to 2003 China's police freed more than 42 000 kidnapped young girls. Other than bride stealing, the gender imbalance could cause many other problems such as increasing crimes. Low status men who have little chance to form families of their own are much more prone to improve their lifestyle through violent and criminal behavior. The gender gap came into existence with the traditional belief of son preferences. Many women adopted abortion due to the one child policy in order to have a son through sex selection. Female infanticide is another factor that caused the imbalanced sex ratio. For men to acquire wives, it is paramount that they acquire status and accumulate assets, can offer education for future children, overseas travel, luxury goods, property and other contributions. It is generally accepted that lower educated men will fall into the category of being unmarried and are also more susceptible to participate in various types of crime.

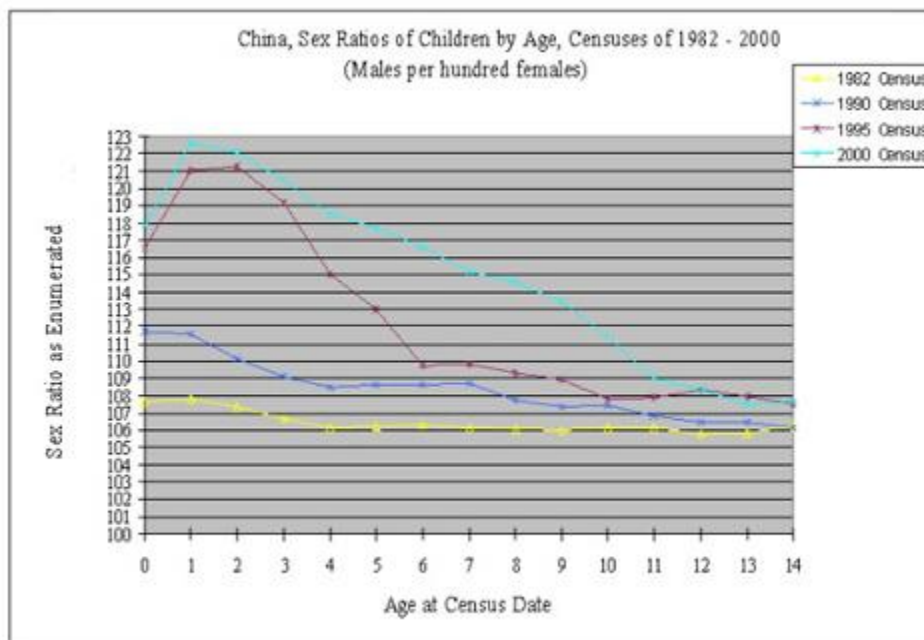


Table 9

*The Impact of China’s Unbalanced Sex Ratio on Pre-Marital Education: A Senior Project submitted to The Division of Science, Mathematics, and Computing and The Division of Social Studies of Bard College by Fang Song

11. ASSOCIATION OF SOUTH EAST ASIAN NATIONS

The ASEAN market is the third largest market after Europe and the North American Free Trade Agreement. Of the ASEAN nations, most are involved illegal wildlife crimes. The ASEAN countries have a combined GDP of \$2.3 trillion (in 2012) and have a population of 600 million people. Laos, Vietnam, Thailand, Philippines, Myanmar, Cambodia are all involved as consumer, transit or trafficking countries. With higher costs associated with China’s labor market in the foreseeable future, manufacturing will be transferred to countries such as Vietnam, who is expected to have the highest increase in growth of UHNWI, projected to increase 166% until 2023. Ho Chi Minh City will have a 173% increase of UHNWI over the next 10 years. ASEAN nations have largely cancelled import/export taxes, instituted free trade agreements and thereby opened its labour market for multi-nationals and ensuring exponential growth.

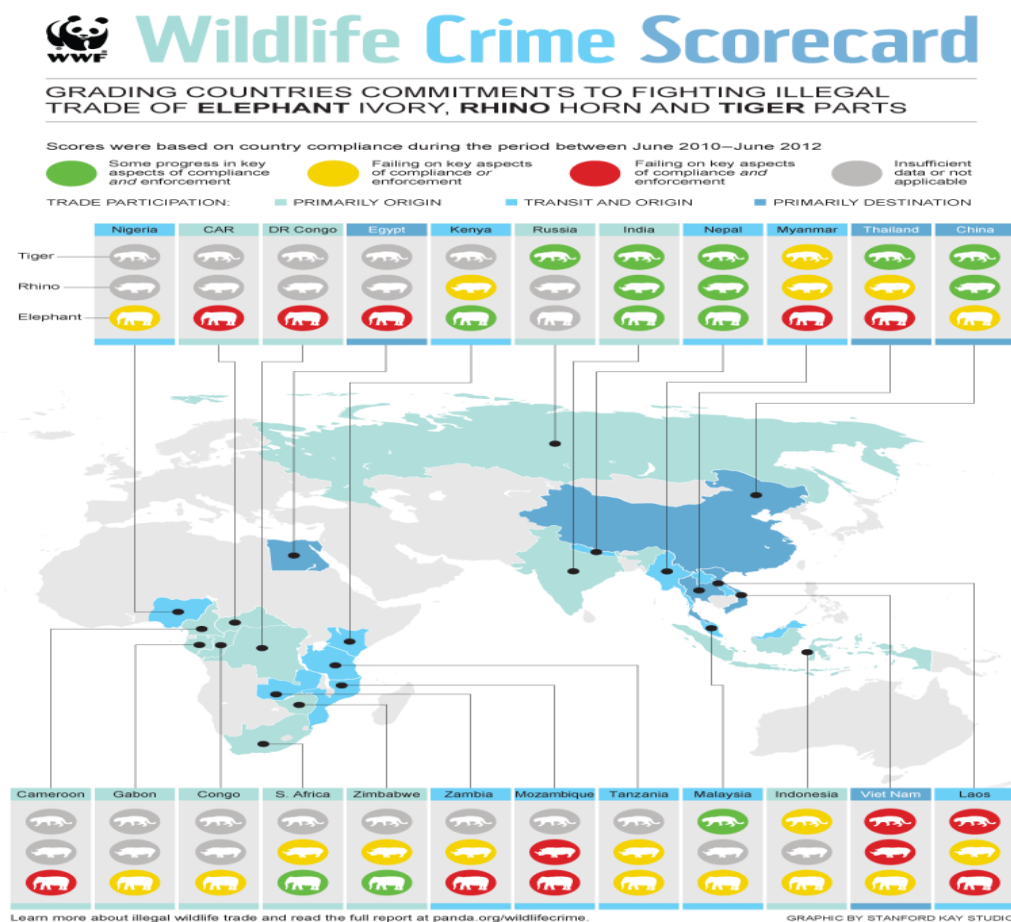


Table 10

12. RHINO HORN CONSUMPTION SCENARIO

In table 11 below, an assumption is made, **if rhino horn was legalized**, that 1, 2 or 5 percent of 5 consuming Asian nations would avail themselves of the product, using 1, 2 or 5 grams of rhino horn per person per annum. Demand would in these scenarios be 14.89 tons, 59.56 tons or 372.25 tons. With population growth by 2025, demand would be 17.03 tons, or 68.10 tons or 425.65 tons. In table 12 a projected harvesting scenario is played out, whereby it is assumed that South Africa's population of roughly 20 000 rhinos would yield 45.5 tons every 3 years, assuming that a generous 65% of rhino populations (13 000) would be of age to be dehorned and that each rhino can yield 3.5kg every 3 years after regrowth. It is also understood that current stockpiles of 18 tons would be used in an initial sale to consumer countries.

Consumption

TODAY		% of Population	1%	2%	5%
		Grams of rhino horn used per year	1	2	5
China	1,300,000,000		13.00	52.00	325.00
Hong Kong	7,000,000		0.07	0.28	1.75
Taiwan	23,000,000		0.23	0.92	5.75
Vietnam	92,000,000		0.92	3.68	23.00
Thailand	67,000,000		0.67	2.68	16.75
Total	1,489,000,000	** Tons PA required	14.89	59.56	372.25
2025		% of Population	1%	2%	5%
		Grams of rhino horn used per year	1	2	5
China	1,462,000,000		14.62	58.48	365.50
Hong Kong	9,600,000		0.10	0.38	2.40
Taiwan	26,000,000		0.26	1.04	6.50
Vietnam	123,000,000		1.23	4.92	30.75
Thailand	82,000,000		0.82	3.28	20.50
Total	1,702,600,000	** Tons PA required	17.03	68.10	425.65

** 1g = 0.000001 tons

Table 11

Harvesting

Harvesting			
Years to re-grow after being harvested		3	
Average weight per horn (kg)		6	
Rhino population (estimate)		20000	
Therefore - assume:			
Number of Rhino's (due to age)		13000	65%
Average weight per harvest (not harvesting all) - (kg)		3.5	
Total tonnes that can be harvested every 3 years		45.50 tonnes	
Or - equating this to a yearly figure - total tons per annum		15.16 tonnes	
		1%	2%
Supply vs. Demand Today in Tons		.27	-44.40
Supply vs. Demand by 2025 in Tons		1.87	-410.49

Table 12

13. CONCLUSION

The criminal activities in wildlife crime, with specific relevance to Africa's elephant and rhino populations are influenced by:

- a. China's economic expansion into Africa
- b. China's phenomenal economic growth over the last 15 years
- c. Vietnam's economic growth
- d. Corrupt officials in range states, transit countries and destination countries
- e. Weak laws pertaining to sentencing perpetrators of wildlife crimes
- f. Weak laws pertaining to bail grants of arrested wildlife criminals
- g. An obsessive-compulsive need for status and luxury goods amongst Asian nations
- h. Lack of political and diplomatic will on an international level
- i. Lack of stringent laws against wildlife criminals in Mozambique
- j. Lack of a Memorandum of Understanding between South Africa and Mozambique

China's proliferation into Africa is still in a rudimentary phase. Already there are hundreds of thousands of illegal Chinese immigrants in various African countries. The majority of arrests relating to wildlife crimes (seizures) involve criminals of Asian origin. Strong law enforcement at international and local levels must be directed at the international crime syndicates. Never before have we needed it more than now, that all politicians and lawmakers, all judges and jurors, all NGO's, initiate and fulfill a comprehensive global education manifesto, accompanied by

extreme punishment for offenders of wildlife crime to eradicate the scourge causing Africa and South Africa's loss of national heritage.



CHAPTER 2

CITES AND SOUTH AFRICA'S PROPOSAL TO LEGALISE RHINO HORN TRADE

AUTHOR: WILL TRAVERS – BORN FREE FOUNDATION

1. IVORY TRADE

My name is Will Travers, one of the founders of Born Free 30 years ago. 40 years ago I saw my poached rhino and my first poached elephant. Sadly an experience to be repeated many times since. I have been to every CITES meeting since 1989 – 10 CITES Conferences of the Parties and almost ever Standing Committee in between. I have seen the ebb and flow....

Let me start by exploring the ivory trade.

In 2008/9 the CITES Standing Committee (which included the British government of the day) approved China as one of two official ivory trading partners (along with Japan), and the sale of more than 100 tonnes of legal ivory went ahead. We campaigned desperately against this but to no avail.

Far from satisfying demand, demand was stimulated and elephant poaching has gone through the roof, the volume of illegal ivory in trade has hit 25 year highs and the price being paid for 1 kilo of illegal ivory is 1000% higher now than the legal sale prices of just a few years ago. Many countries in Africa may lose their elephants entirely as a result. Now we have a similar scenario for rhino.

Proponents of rhino horn trade – the South African government, the Private Rhino Owners' Association, the Professional Sport Hunters' Association and others – say that legalisation will enable them to control the market and generate resources to fight poaching. In my view they are, at best, extremely naïve.

They want to establish a CSO, a Central Selling Organisation - a cartel - which they say would allow them to control the supply of rhino horn and to manipulate demand through price-fixing.

Too much demand, increase the price: Too little demand, reduce the price.

Imagine that they establish an official price of US\$50,000 a kilo. What will the poachers' reaction be? To offer illegal, poached rhino horn at US\$40k a kilo or US\$30k a kilo.

These prices are so fantastical that poor people will continue to be exploited by criminal networks, willing to risk someone else's life to make a killing.

Remember the ivory sales that were supposed to meet demand? It was wrong thinking then – it's wrong thinking now! I can assure you that legal trade is not going to satisfy demand, it's going to stimulate demand, and that demand is going to be met by poaching.

But there is another equally disturbing and more insidious factor in all this. Legalising rhino horn will also legitimise claims made by some that it works as a hangover cure or as a treatment for cancer.

At the CITES Conference in Bangkok in March 2013, I attended a meeting about legalising rhino horn trade, organised by the South African Minister, Edna Molewa, billed as an opportunity for her to listen to the views of the wider community.

The Minister asked for any comments. I raised my hand and briefly set out my fundamental concerns, and then I asked one question. “Do you believe it works?” I said. “Don’t be shy. Raise your hand if you believe that rhino horn works”.

No one moved a muscle. Then, somewhat sheepishly, the panel admitted that they did not believe rhino horn worked....

For me that reveals a shocking degree of cynical exploitation running through this whole issue.

I imagine a Chinese or Vietnamese family a few years from now. Their elderly mother is dying of cancer. The children, hearing that rhino horn is the cure, scrape together their last resources and buy some. Legal, exorbitantly expensive – and USELESS. Their mother dies. They are in poverty. And their tragic circumstances are as a direct result of the blatant exploitation of their vulnerability, ignorance and superstition by those who know better but who are in ‘the business of Rhinonomics’.

I asked preeminent conservation biologist, lawyer and CITES expert, Dr Ron Orenstein for his views concerning the claims that have been made linking the management of vicuña and the harvesting of their wool to the potential management of rhinos and the harvesting of their horn.

These are my questions and Dr Orenstein’s compelling and informed responses.

2. DID LEGAL TRADE SAVE THE VICUÑA?

By the 1960s, massive killing of vicuñas for their wool had reduced a species that once numbered in the millions to only about 10,000 animals. Today, the global population is in the order of 300,000 – a definite conservation success, at least as far as population numbers are concerned. However, what trade proponents fail to point out is that legal international trade in vicuña wool was not restored until populations had rebounded. The population recovery happened under a regime of strict protection and improved enforcement under the terms of the two Vicuña Conventions, signed in 1969 and 1979, and a CITES Appendix I listing. In Peru, vicuña populations had been reduced by 1966 to between 5,000 and 10,000 animals, 1% of their former numbers. The change in the species’ fortune over subsequent years was the result of strict protection. By 1987, populations in the country had risen to 63,223. The enormous rise in Peruvian vicuña numbers – a staggering 1100% by 1994 – happened before international legal trade was allowed.

3. HAS LEGAL TRADE SUPPRESSED POACHING?

Poaching of vicuña remains a serious problem – so much so that, rather than the legal trade having put poachers out of business, poaching has been named as one of the greatest existing threats to the legal trade regime. Over 350 vicuña poached in Peru in one spate around April 10th 2013 and now, a couple of weeks ago, a further 149.

The ex-president of the Lima region’s vicuña breeding association reported in 2009 that “in Lima and Apurímac... 30-40% of the population has been slaughtered. Of the 17,689 animals that existed in the region of Lima in 2000, it is feared the population is now around 10,000”.

Rather than legal trade making intense enforcement efforts unnecessary, these efforts are now essential if the legal trade itself is to survive.