CONVENTION ON INTERNATIONAL TRADE IN ENDANGERED SPECIES
OF WILD FAUNA AND FLORA

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Thirteenth meeting of the Conference of the Parties
Bangkok (Thailand), 2-14 October 2004

Report on the Technical Workshop on Economic Incentives and Trade Policy

Geneva, Switzerland 1-3 December 2003

PREPARED BY ICTSD ON BEHALF OF THE CITES SECRETARIAT

1. Welcome and opening remarks:

1.1 The Secretary-General, who chaired the meeting, highlighted that decision 12.22 from the COP 12 had mandated the CITES Secretariat to convene this technical workshop in order to develop a methodology on national wildlife trade policy reviews and draft recommendations for economic incentives. He reminded participants that the workshop results would be presented to the 50th meeting of the Standing Committee to take place in March 2004. On the national wildlife trade policies he said that the information from the national wildlife trade policy reviews would be compiled and synthesised to feed into COP 13 scheduled for October 2004. It was also highlighted that the reviews would be undertaken with countries on a voluntary basis. The Secretary-General thanked Switzerland, the United Kingdom and UNEP's Economic and Trade Branch for financing the meeting as well as supporting organisations for enabling the workshop. He also thanked participants for engaging in the effort. He then noted that some constituencies still believe that CITES should not be involved in trade policy and economic incentives. In response to these considerations he pointed out that the Conference of the Parties had decided it necessary for CITES to move into a discussion of the many issues involved. He said he hoped that the workshop would provide useful information on how producer countries – if at all – best trade their wildlife from a conservation and from a socio-economic point of view.

1.3 The representative of Switzerland then took the floor to officially open the meeting. She congratulated the CITES Secretariat and CITES Parties to the workshop saying that wildlife trade and trade policy is an important and widely discussed issue. She rose the question of what effects trade policy and wildlife trade, has is in specific country cases, as well as she mentioned that CITES has proven to be a useful tool for regulating international wildlife trade. Touching on the subject of economic incentives she said that they could make an important contribution to wildlife conservation and could be used as a lived example of mutual supportiveness between a Multilateral Environment Agreement and international trade policy. She also pointed out that paragraph 31 (i) of the World Trade Organisation's (WTO) Doha Declaration provides a creative solution on the issue of mutual supportiveness and would help to reduce potential conflicts between the international trade regime and MEAs. In this context she said that Switzerland would continue to work towards promoting mutual supportiveness between the WTO and CITES. In addition, she said that Switzerland welcomes this workshop, stating that the long-term results could potentially show that economic incentives could contribute to the effective implementation of CITES, and that the development of practical guidelines for national wildlife trade policy reviews would prove to be useful.

1.4 UNEP Economics and Trade Branch (UNEP-ETB) then took the floor stating that its mandate mainly aims at assisting countries in integrating environmental considerations in trade policy and promoting the internalisation of environmental costs. However, she also highlighted that UNEP-ETB is moving away from focussing on the WTO to providing greater direct assistance to developing country members and Conventions in the assessment of trade-related policies and EIs. UNEP-ETB also pointed out that the CITES COP 12 in Santiago had shown that there is a need for further discussions on economic instruments within MEAs and that UNEP-ETB would be happy to assist in these issues should a particular role for UNEP be desired.

2. Adoption of the agenda

Participants adopted the agenda and work programme of the workshop without amendments.

3. Introductory Section

3.1 The wildlife trade structure and driving forces [TRAFFIC - Steve Broad]:

Steve Broad from Traffic started his presentation by highlighting the importance of understanding the basics of wildlife trade, which resembles the trade of any other commercial commodity. He noted the value of the international wildlife trade, and showed that trade in fisheries and timber is the most valuable. During his presentation he also noted the importance of analysing and locating the bottlenecks in the structure of wildlife trade industries. Given that economic instruments are best applied to deliver the greatest conservation benefit for the least economic disruption, it might be that at these bottlenecks the introduction of economic incentives could have the greatest positive effect on the health of the relevant in situ resource, particularly if it promotes the capturing of an efficient level of resource rents. The flexibility and dynamic of both legal and illegal trade was noted by the presenter, as well as the influences of geopolitical changes, in particular, the EU enlargement. He also pointed out that as industries in wildlife derivatives develop and mature, the structure of wildlife trade tends to move towards economies of scale, as evidenced by the large amount of wildlife derivatives and products sold and transported through Singapore and other major economic and trade centres, which are affected by regional, international and local dynamics. Steve Broad then moved on to explaining the motivations for people to trade in wildlife; ranging from the wish to simply get rid of the animals to income opportunities. Finally, he stated that there is a lot of potential to improve wildlife regulation amongst others through the use of economic incentives.

3.2 The role of economics in wildlife conservation [Department of Economics, University College London, Tim Swanson]:

Tim Swanson started his presentation by listing the major causes of declining wildlife: trade and use patterns; changes in stocks due to local interests; and habitat changes. Furthermore he highlighted that the role of economic instruments and incentives is to provide solutions to complex problems with various root causes. Opposed to the original way of dealing with conservation problems, which often only focussed on one strand of the problem (the flow problem), the approach taken by Tim Swanson aims at dealing with all the strands of declining wildlife. Tim Swanson presented three case studies addressing the various aspects of nature conservation, the sustainable use of natural resources and economic incentives. During the presentation he highlighted, *inter alia*, the importance of providing local communities with incentives to conserve biodiversity as well as the importance of promoting a common responsibility for the management of natural resources. Moreover, he highlighted the importance of addressing all the causes (the flow problem, the stock problem and the habitat problem) of biodiversity loss instead of focussing on only one aspect. Participants questioned whether for example eco-tourism, is a positive way forward for wildlife conservation, taking into account the broad use of the term.

3.3 The links between trade policy and wildlife conservation [ICTSD, Ricardo Meléndez-Ortiz]:

On trade policy and wildlife conservation Ricardo Meléndez-Ortiz pointed out that trade policy is a toolbox of instruments that can help achieve wildlife conservation. However, the challenges for CITES would be to identify, how globalised trade influences wildlife conservation and trade, to identify tools in consistence with the international trade regime, as well as to decide whether trade policy instruments should be universally applicable. Trade policy sets the rules for the transboundary movement of goods and services and it would be important to analyse how wildlife products become commoditised. Furthermore, he highlighted that international trade policies is mainly driven by mercantilist purposes and that it would be easier if it was designed to contribute to development including conservation goals. In addition, he added that the use of economic instruments should be assessed on a case-by-case practise in order to identify the particular instruments useful for conservation purposes. In relation to the WTO he pointed out that CITES should not be concerned. However, that it should follow developments of the

negotiations in particular within the Committee on Trade and Environment and the negotiations on environmental goods and services. As a future issue he stressed the increasing importance of heavily traded commodities such as mahogany and tooth fish.

4. National Wildlife Trade Policies

4.1 Presentation of the background paper on Wildlife Trade Policies [Barney Dickson]

Barney Dickson presented a summary of the background paper on national wildlife trade policy reviews. During the presentation he pointed out that the design of the reviews aims at assisting Parties in achieving their policy objectives, also beyond implementing CITES. Furthermore, he said that the process and methodology should be flexible enough to take into account the particularities, national legislation and specific wishes of each country, in order to help Parties to make informed decisions. He also noted that Parties participate in the review on a voluntary basis and that further implementation issues would have to be addressed including whether the review should be linked to other policy reviews and reviews under other MEAs. He furthermore noted that the background paper only outlines a suggestion for how the review could be undertaken.

The Chairman noted the importance of identifying which species would be covered by the review and obtaining funding for the reviews. In this context it was noted that the Parties themselves have to be the main *demandeurs* of the reviews.

Carolyn Fischer from Resources for the Future made an intervention commenting on the background paper. She noted that one would also have to take a closer look at the relationship between trade bans and demand for wildlife products, i.e. whether a trade ban increases or reduces demand. She also highlighted that there are a wide range of other supporting policies that might have a positive effect on the conservation of species.

Participants then had the opportunity to ask questions in relation to the previous presentations. In particular, participants looked at the structure and the content of the policy reviews, highlighting that ideally they should be comprehensive but that it should be left to the individual party determining the scope of the reviews. Participants also discussed to what extent CITES would work together with other organisations in carrying out the reviews as well as the involvement of the private sector. Several similar initiatives by for example the OECD and the CBD were noted – concluding that CITES should link its work to already established initiatives.

5. Trade measures

5.1 Presentation of IUCN's draft report on "the effectiveness of trade measures contained in CITES" [Frank Vorhies]

Frank Vorhies presented an IUCN draft report on trade measures within CITES. The IUCN draft report aimed at highlighting the use of trade measures from three different angels: a legal perspective, an economic perspective and a biological perspective. In his presentation Frank Vorhies focussed on a supply and demand analysis, highlighting that CITES currently is trying to reduce the supply but however does not look at the effects beyond – namely the reduction or increase of revenue. He noted the importance of understanding the elasticity of supply and demand structure in wildlife trade if applying incentive measures. However, he also said that if CITES would like to reduce the market of wildlife trade it would be critical to reduce consumer demand and not only focus on restricting supply or production.

The Secretariat agreed that demand is a major issue, which has to be dealt with more in-depth for example by raising consumer awareness through certification schemes. Participants noted the importance of certification schemes but highlighted the fact that such schemes potentially restrict the market access of producing countries. The Secretariat also highlighted that CITES is not a supply restricting convention but that CITES is implemented from the demand side issuing permits for the export of species under Appendix II. Participants also noted the importance of raising consumer awareness and increase the cooperation with consumer organisations. Participants also pointed to the fact that it is difficult to apply general analysis to CITES species,

instead they would have to be looked at on a case-by-case basis as well as on a country-by-country basis. In this context, a Party highlighted the absolute need not to look at wildlife trade policies in isolation but, taking into account the overall policies of the particular government.

6. Economic Incentives

6.1 Presentation of the discussion paper on "the role of Economic Instruments in the context of biodiversity related MEAs" [Nicola Borregard - UNEP-ETB]

Nicola Borregaard from RIDES presented a study commissioned by UNEP-ETB analysing the role of economic instruments within three biodiversity-related MEAs: CITES, RAMSAR and the CBD. Regarding definitional issues, she explained that the paper focuses on economic instruments instead of economic incentives. She also noted that it would be important to identify the wide range of economic instruments that could be used for wildlife conservation and that CITES is only now moving into using/discussing economic incentives (EI) whereas the other two MEAs have been using EIs from the beginning. However, she also said that CITES could make greater use of the available incentives. She also said that more evaluation and monitoring of already existing schemes would be needed in order to draw lessons from those. The already existing initiatives that she highlighted ranged from investment funds to sustainable trade initiatives. In conclusion she said that regardless of, which scheme would be implemented capacity and institution building in developing countries are essential parts of the more innovative and successful projects. Projects linked to environmental services provision should also analyse the relationship with the WTO negotiations on environmental goods and services. The cooperation with other organisations and MEAs would be of crucial importance to stimulate the effective use of economic instruments.

The Chairman said that CITES is a particular case as the mention of sustainable use is always directly linked to the consequences for the trade in species, which is not the case with the other MEAs, such as CBD, where the issue can be discussed in a more abstract way.

6.2 Presentation of the background paper on Economic Incentives [Erwin Bulte]

The presentation of the background paper on economic incentives focussed on the economic aspect of wildlife trade, as well as on the level of efficiency of the trade. In particular, it also focused on taking into account all the costs and benefits of wildlife trade and conservation and maximising welfare. When defining economic incentives the presenter highlighted that economic instruments are a range of tools -- a subset under economic incentives -- set by the government. Another issue, which he pointed out was property rights -- stating that people would not invest in a resource to which they do not have a secure property rights. He also advocated for not using subsidies as an economic incentive as these regulate the behaviour of individuals but also have a multiplier effect of attracting many individuals, which might then eventually be negative for biodiversity, as well as it is an expensive tool to implement. Finally, he also noted that the level of efficiency of economic incentives is not a clear case and would have to be examined on a case-by-case basis. Such an analysis should take into account various aspects including the availability of appropriate institutions and policies to support the implementation of economic incentives. In his concluding remarks he said, *inter alia*, that there are a range of problems related to monitoring and enforcement as well as the economic benefits of regulation might be small. Thus, from a cost-benefit analysis introducing economic incentives might not be the best way to go. However, in order to fully assess this, one would need further research.

7. Interactive session about the four background papers

During the interactive session participants discussed the viability of economic incentives for the wildlife trade sector including the options of command and control mechanisms, consumer behaviour, and value chain analysis focussing not only on export but also on domestic issues. Participants also noted that it often takes a long time to receive CITES permits for export purposes, endangering the efficiency of export-conservation programmes.

A Party then took the floor and noted the often difficult relationship between local communities, wildlife and habitat as well as the negative effects of globalisation on Africa. He in particular noted

that the trade policy reviews would also have to take into account regional dynamics and integration schemes.

Participants discussed whether CITES could and should serve more as a certification body. In this context several issues were mentioned such as CITES reputation as well as the validity of certification schemes, which often include both environmental and social criteria. A Party also noted that the trade in CITES species is of better quality (low mortality rate) than the trade in non- CITES species, pointing to the fact that CITES can be a true trade incentive. Another Party noted several concerns in relation to the trade policy review questioning the implementation and the scope of the review, as well as the need to take specific national circumstances and national sovereignty into account. In this context, the Secretariat highlighted the voluntary nature of the review and the aim of the review to assist Parties in improving their wildlife trade for economic benefits, local communities and species. Participants said that the review could help national authorities to seek coherence in their policies and stressed the crucial importance of capacity building within the countries and awareness creation of various stakeholders on the issue of trade and wildlife.

8. **Country presentations**

8.1 Country Presentation Guyana

Guyana presented its country study highlighting that there have been major changes in wildlife management and administration. As the main challenges he mentioned, *inter alia,* weak border controls and lack of cooperation with neighbouring countries. During his presentation he briefly introduced wildlife conservation initiatives involving local communities, stressing the need to provide these with income alternatives. As part of the future activities he mentioned a new biodiversity action plan, which would integrate various regulations related to wildlife and the conservation of biodiversity. The action plan is being developed in cooperation with national stakeholders.

Participants discussed the importance of cooperation between neighbouring states as well as between various government institutions such as police and customs. Furthermore various ways of issuing quotas and permits was discussed and the advantages and disadvantages of various systems were assessed.

8.2 Country Presentation Indonesia

During its country presentation, Indonesia also highlighted the importance of cooperation with neighbouring countries – in particular with Malaysia. Indonesia furthermore explained that its greatest problem is related to the smuggling and illegal trade of wildlife and wildlife products. The main reasons given for the high volume of smuggling were the geographical characteristics of Indonesia, the easy access to wildlife as well as the large amount of people living below the poverty line. Indonesia also pointed out that stricter domestic measures and quota setting can lead to for example the EU applying import restriction if they deem the quota as too high whereas no restrictions are imposed on producing countries with no quota setting.

The Chairman noted that the EU procedure is sometimes seen by range States as punishing. Participants also discussed the possibilities of countries to move into more value-added wildlife products and related benefits.

8.3 Country presentation Madagascar

The country presentation of Madagascar took point of departure in the recent efforts – together with amongst others CITES and Traffic – to develop a first action plan for the conservation of wildlife. Particular emphasis was put on the fact that various national policies must be mutually supportive in order to be effective, as well as the needs for cooperation between government authorities and the consultation with relevant stakeholders.

The CITES Secretariat noted Madagascar's particular difficulties in managing its wildlife but also said that simply banning the export of species would not be helpful for the country in process of

developing a wildlife policy – instead focus should be placed on developing a long-term strategy for the country.

8.4 Malaysia country presentation

Malaysia's wildlife trade policy is embedded in the national biodiversity policy, which was developed in consultation with local communities and other stakeholders. Malaysia also stressed difficulties in controlling illegal trade and smuggling in particular from Indonesia, Thailand and Vietnam. Malaysia is engaging in dialogues with these countries and developing common efforts to address problematic issue. Heavily traded commodities, such as forestry and fisheries, are not regulated under the national biodiversity policy but under a different legislation. This legislation (the Forestry and the Fisheries Act) is currently being revised with the aim of increasing the revenue derived from these sectors. The representative also noted that Malaysia is neither a major producer nor consumer of wildlife, but that it for example is moving more into developing captive breeding programmes and developing eco-tourism projects and sustainable forest management systems.

8.5 South Africa country presentation

The representative from South Africa focussed his presentation on Lion management and captive breeding schemes mainly for trophy hunting. The captive breeding scheme is considered as an economic incentive and a means to conserve wildlife. The breeding scheme was developed within a larger policy aimed at eradicating poverty, sustainable economic development and sustainable social development resulting in sustainable management of all large predators. South Africa developed this policy through a public consultation process stressing the need for public support when developing and implementing a policy. The negative results of captive breeding were noted as a "tragedy of the commons" leading to a production system producing too many animals.

Participants questioned the ethics of breeding animals for hunting, and noted that it is important to balance the economics of captive breeding with ethical standards and reputation.

8.6 Tanzania Country presentation

The wildlife trade policy and conservation policy in Tanzania was developed in 1998. In the development process the large number of subsistence farmers, the large number of poor people as well as the large amount of people living in rural areas was taken into account. The policy also takes into consideration the potential value of wildlife resources to rural and subsistence farmers as well as the competition for land and land use. It is thus of crucial importance for Tanzania that the wildlife policy benefits local communities and is developed in cooperation with local communities. The representative then presented a few examples showing the diverse ways of re-directing benefits from conservation of wildlife to the local population and the interaction between wildlife management and the local population.

9. **Working groups**

9.1 Working Group I: National Wildlife Trade Policies

Working Group I was asked to address and respond to the following questions:

1. For a CITES Party to adequately implement CITES, is an articulated wildlife trade policy

   a) Essential;
   b) Desirable;
   c) Undesirable?

2. What are the advantages and disadvantages of:

   a) A stand-alone wildlife trade policy?

b) Wildlife trade policy that is integrated into a broader policy on wildlife, conservation, environment, economic/social/rural development, local community, public administration/decentralisation or trade?

3. What are the key elements of an effective wildlife trade policy, especially for producer countries engaged in trade?

4. Outline a practical methodological framework of how Parties can carry out a review of their national wildlife trade policies.

5. Determine which stakeholders should be involved in the policy review and reform and how best to involve them.

As a guiding principle/chapeau for the working group discussions Parties as well as participants agreed on the following general principle:

The review of national wildlife trade policies is a voluntary process that respects the national sovereignty of Parties. It is designed to assist and support Parties. It does not carry the threat of sanctions.

1. **For a CITES Party to adequately implement CITES, is an articulated wildlife trade policy**

   a) **Essential;**
   b) **Desirable;**
   c) **Undesirable?**

   The working group discussed this question and made the following comments on the use of terms:

   a) Articulated: it was noticed that the form in which a policy is articulated may vary from Party to Party.
   b) Wildlife: it was recognised that the term can be understood in different ways. Parties will interpret the term in accordance with their own usage.
   c) An articulated wildlife trade policy: is agreed to be desirable. Some Parties may regard it as essential.

   Participants also discussed the necessity of having an articulated wildlife trade policy and argued that it could:

   i) Assist in making your case to other Government departments.
   ii) Improve the understanding of policy amongst those involved in implementing policy.
   iii) Enable stakeholders and policy-makers to explain the policy to wider society.
   iv) Provide predictability for stakeholders.

2. **What are the advantages and disadvantages of:**

   a) **A stand-alone wildlife trade policy?**
   b) **Wildlife trade policy that is integrated into a broader policy on wildlife, conservation, environment, economic/social/rural development, local community, public administration/decentralisation or trade?**

With regards to this question participants discussed the scope of wildlife trade policies:

a) Does it relate to just CITES listed species, or other traded species? It was noted that for an importing country, it might make sense to have a policy that deals with just CITES listed species (and species which might be listed). For an exporting state, it may make more sense to have a policy that deals with all wild species that are traded.
b) There is usually a case for *linking* wildlife trade policy with broader policies, although integration may be unnecessary and/or costly.

c) The degree of linkage that is appropriate may vary from Party to Party and depend on the goals and instruments of wildlife trade policy.

3. **What are the key elements of an effective wildlife trade policy, especially for producer countries engaged in trade? Please take into consideration how such a policy might promote and regulate: sustainable management of wildlife species; responsible trade in wildlife species; a change from illegal to legal use of wildlife species; effective enforcement of the Convention; socio-economic development of local and indigenous communities; and avoid land degradation and transformation of natural areas into agricultural areas.**

Participants agreed on a general structure of a wildlife trade policy review, taking into account that the details of the review and its structure would have to be adjusted in relation to country characteristics. The general frame for a review could be:

a) i)   Vision
    ii) Principles, objectives, goals
    iii) Instruments, strategies
    iv) Implementation
    v)   Financing
    vi) Legislation

Participants highlighted that the terminology might vary between reviews. As well as they agreed that the background paper on the reviews provide a good starting point however the:

i) Collaboration/coordination with other states in the region/sub-region; and
ii) The Consultation and collaboration with stakeholders; should be an essential part of the review process.

4. **Outline a practical methodological framework of how Parties can carry out a review of their national wildlife trade polices. This should include the goals of the policy review, the content of the policy review, the process for carrying it out, the timetable, the funding of the review and the utilization of the results of the review for policy reforms when appropriate.**

a) It was recognised that Decision 12.22 states that the Secretariat will 'conduct in cooperation with the Parties, a review of their national policy'. It was felt that Parties should have ownership of the review.

b) Participants also discussed whether the reviews would be made publicly available on for example the CITES website but failed to find a true consensus on the issue, leaving it for further discussions in plenary.

c) Goals: Participants agreed that while the review process is intended to assist Parties in improving their policies, the review process should also take account of the need to compile and synthesise the information provided (as stated in Decision 12.22, para e.). While the first goal implies that reviews should be tailored to the needs of individual Parties, the second goal is made easier if the reviews have a standard format.

d) Content of the review: the Background paper on methodologies for national wildlife trade policy reviews provides an outline of the issues to be addressed in the reviews. However, participants suggested including the following important revisions:

   i)   Decision 12.22 para d, states that the reviews must take into account 'economic incentives, production systems, consumption patterns, market access strategies, price structures, certification schemes, CITES-relevant taxation and subsidy schemes, property rights, mechanisms for benefit sharing and reinvestment in conservation as well as stricter domestic measures that Parties apply or are affected by;'

   ii) In addition to identifying the elements in a national wildlife trade policy, the review should provide an assessment of those policies.

   iii) The reviews should address the question of whether national policy will benefit from more collaboration at the sub-regional and regional level.

e) On the process of implementing the review participants noted that this is likely to involve the preparation of a draft review, a period of consultation and stakeholder input, and a preparation of the final review.

f) On the timing of the review participants said that the timing should be left flexible and might take everything from six months to two years.

g) With regards to funding participants discussed and agreed the following points:

   i) The aim is to identify new funding sources to pay for these reviews. Decision 12.22 states that the Secretariat has this responsibility. However, the Secretariat pointed out that the individual countries should provide political support to the fundraising efforts, by for example submitting the proposal to interested founders.

   ii) Developed countries may wish to fund their reviews from within their existing resources.

   iii) Developing countries who wish to carry out the reviews should be encouraged to collaborate actively with the Secretariat in identifying funding.

5. Determine which stakeholders (e.g. local communities, regional authorities and—where there are shared habitats and species--neighbouring countries) should be involved in the policy review and reform and how best to involve them.

Participants agreed that:

a) All stakeholders should be involved

b) Each Party has a responsibility to determine who the stakeholders are.

c) There is a need to distinguish those who should be involved in the review process and those who should be consulted. The latter may be a wider group.

d) Where possible the Parties should identify representative organisations of stakeholders/consultees.

9.2 Working Group II Economic instruments:

The working group on economic incentives also considered a range of questions:

1. Determine how international wildlife trade can make a better contribution to the conservation of wild populations.[1]

Several participants stressed the need to learn from past experiences. This would include assessing the effectiveness and impacts of existing economic instruments (EIs) with the aim of enunciating major elements that could be used by CITES Parties to manage international wildlife trade. Similarly, further work on EIs can profit from and build on guidelines that have already been developed in other forums, such as UNEP's work and the CBD's work on perverse incentives and invasive alien species. At the same time, some participants noted that more research needed to be done on the different types of impacts of trade measures, including the shifts in economic costs and benefits, while others suggested that policies could also be derived from 'trying out' policies and learning form practical experience.

The Party representative pointed out that the aim of reviewing existing EIs should be to develop a 'steering mechanism' on how to make CITES products more competitive and conservation-oriented. While echoing the need for regulation to provide a level-playing field for the private sector, an industry representative noted that the emphasis should not be on 'steering', but rather on setting targets, leaving it up to Parties and other stakeholders how to achieve these targets.

Participants agreed that wildlife trade needed to be sustainable and generate revenues, which create incentives for further conservation of the resource. They also agreed that

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[1] *Participants generally agreed that this question should be rephrase to: Under what conditions is international wildlife trade most likely to lead to conservation?*

secure and properly enforced property rights were an essential condition for trade to contribute to wildlife conservation.

Participants considered the two following questions at the same time, deeming that they are closely linked:

2. What opportunities exist in international wildlife trade for the use of economic instruments?

4. Determine under what conditions are those targeted economic instruments useful? Please take into consideration governance, institutions and organizational development / management aspects.

Participants generally agreed that tradable or auctionable permits/quotas were the most promising EI to ensure that permits are put to the most valued use. They noted a number of points and constraints that should be kept in mind when designing the system. One participant pointed to the high cost of running such systems, which had only proven worthwhile in the fisheries sector because of the scale factor. The same was true for the cost of compliance and enforcement, which might be too high to make the quota system viable. If the system was found to be too costly, Parties should look at ways of making it pay for itself. Moreover, for the species where such a system might be worthwhile, allocation of permits/quotas should take into account the special circumstances and contexts of the region and species, as had been done, for example, in the case of sturgeon. It was also important to bear in mind who would profit from such a system and how to balance conservation and livelihoods concerns.

One participant suggested that a permit/quota system could be linked to a 'carrot and stick' approach, e.g. by requiring permit holders to reinvest part of the profits into conservation. Another noted that the system should go hand in hand with supporting activities, such as facilitating legal and sustainable trade and sustainable management, supporting alternative production, helping communities find economic interest and building capacities. In general, participants agreed that EIs were not a substitute for management and law enforcement regimes implemented by the Parties, but rather should be complementary.

Participants also discussed the need to clarify that rules to encourage trade in value-added products might not always be good practice. One participant noted that Parties should not necessarily force local production, as sometimes the export of raw material might be more worthwhile than of processed products if that is where a country's comparative advantage lies. Another participant added that Parties should look at and address the factors preventing value-added production.

3. How can the CITES permit system achieve better recognition as an operational certification scheme?

One participant noted that certification could be useful if it could add value to wildlife, thereby making compliance with the rules worthwhile, but also expressed scepticism whether such a certification system would provide large returns. Regarding the use of the CITES permit system as a certification mechanism, some questioned how CITES could become a certification body given that it was paid for by governments. One participant added that CITES was not a certification but an accreditation scheme, i.e. it accredits competent authorities that in turn provide certificates.

Several participants stressed that for the CITES permit system to achieve better recognition as an operational certification scheme, it needs to be credible at various levels, including governments, producers, traders and consumers. Credibility could be improved, inter alia, through adequate and demonstrable enforcement and monitoring by governments. Also important in this context is the credibility of the body carrying out conformity assessments. One Secretariat official suggested a greater role for national scientific authorities to ensure that 'non-detriment' findings become more credible based on criteria to be determined

One member of the Secretariat suggested the use of certification based on 'demonstrable compliance'. This would effectively create a two-tier system where only some of the exporters that hold a CITES permit would receive certification if they could provide evidence of compliance. A similar approach was already being used in the EC which has turned back imports of certified CITES species if the permits are not believed to comply with CITES requirements. Several participants, however, cautioned that such a system would add an extra layer of enforcement and that the emphasis should rather be on ensuring across-the-board compliance.

Regarding consumer perceptions, several participants stressed the need to raise awareness that CITES is concerned with 'sustainability', thereby addressing the widespread public misconception that CITES species are not allowed to be traded and that non-CITES alternatives are preferable. In response to concerns raised over the potential cost of introducing a logo for certification purposes, a Secretariat official noted that the CITES logo already existed and that efforts should focus on improving its profile. Another option raised by one participant was to explore possible partnerships between CITES and other existing logos. However, rather than endorsing a particular scheme, CITES should establish criteria for acceptable (independent) certification schemes and align itself with those that fulfil the criteria.

5. **Determine which stakeholders (e.g. local communities, regional authorities and – where there are shared habitats and species – neighbouring countries) should be involved in the design and implementation of targeted economic instruments and how best to involve them.**

One Party representative stressed the need to involve industry as a particular target, for instance by ensuring that statutes and best practices reflected key elements of CITES. Another participant noted that stakeholders should be involved along the supply and demand chains as well as the intermediaries, while another participant added that those outside the trade chain also need to be consulted. One Party representative also pointed to the need for better integration with border countries to reflect that neither species nor economic activities recognised boundaries.

10. **Plenary Discussion on the Working Group Reports:**

The Chairman highlighted that the trade policy reviews would be undertaken on a completely voluntary basis and that the reviews would be of a descriptive nature rather then an analysis: The Secretariat also assured participants that the reviews would not be used against Parties. However, he also said that the COP decision 12.22 mandates a synthesis of all the reviews to be reported on at the next CITES COP. The decision to keep individual country reports confidential was for the Party concerned to take and the synthesis did not have to indicate country names either. Participants also discussed the issue of having a stand-alone national wildlife policy or integrated with other policies. In this respect it was noted that the integration of policies might have the effect of splintering them and that linking policies will be more effective.

A Party representative noted the serious concerns he had with the national trade policy reviews. Saying that it was unclear to him how these would be implemented and in particular who would determine whether a policy was positive or negative. The Chairman indicated that the COP decision refers to one way of assessing whether a policy is positive or negative, namely by assessing levels of legal and illegal trade. Participants then raised concerns with regards to compliance issues and stressed the importance of keeping the reviews apart from compliance issues. In addition participants stressed the need to share the benefits of wildlife conservation with local communities.

South Africa then delivered a statement on behalf of the producer countries that attended the workshop.

<u>Statement by Guyana, Indonesia, Madagascar, Malaysia, South Africa and Tanzania:</u>

The six producer countries, Guyana, Indonesia, Madagascar, Malaysia, South Africa and Tanzania present at the workshop would first of all like to express our thanks to the Secretariat for inviting us to this workshop to share with you the experiences we have gained in the conservation and use of our natural resources.

Having listened to the report back of the two working groups we would like to re-iterate our position on a number of issues discussed at this workshop.

We are supporting the review process and would like to support the caveat raised by Barney Dickson in his summary remarks, viz.:

– *Parties will need re-assurance that the results of the review will not be used as a compliance tool against such a country; and*
– *The sovereign rights of a Party will be honoured.*

Issues that we would like to re-emphasise are:

1. *The sovereign rights of the Parties to make decisions relating to each own Party within national and international obligations;*
2. *The project is voluntary as far as participation is concerned as the Parties differ in terms of social, political, cultural and economic structure. Furthermore, the Parties are at different levels of development relating to the conservation of natural resources are concerned.*
   We are concerned that although the project is branded as a voluntary project, in the long run, at future meetings of the Conference of the Parties this could be changed to become a compliance tool;
3. *The publication of the results of the project should be handled with utmost care.*
   We are apprehensive that the results of the project may be used against a Party by other interest groups;
4. *As far as economic incentives are concerned it should be left to the individual Party to decide on the application of economic incentives, based on individual circumstances.*
   We are however looking forward to receiving examples of such incentives, which can then be evaluated and applied appropriately;
5. *Lastly, an area where the differences in interpretation by different Parties became apparent was in the discussion of the term "wildlife". It should be left to each Party to identify the scope of its policies.*

In conclusion we are not opposed to the project but would like to voice our concerns as we have experienced it over the past two days.

11. Panel on Cooperation and Synergies with other key partners:

11.1   Sabrina Birner (International Finance Cooperation)

The representative from the IFC introduced participants to various IFC projects related to economic incentives and biodiversity conservation. IFC's mission is to promote sustainable private sector investment in developing countries, helping to reduce poverty and improve people's lives. Furthermore the representative explained that IFC's Environmental Finance Group has a biodiversity portfolio targeting tourism, agribusiness, aquaculture, and forest products. In particular the IFC seeks to achieve its goals by providing grants and concessional funding to developing and transitional countries, for projects and programmes that protect the global environment and promote sustainable growth. After the introduction, she presented some of the projects undertaken by the IFC. The projects presented include a project on establishing a business exporting juvenile poison dart frogs from Peru. The Terra Capital biodiversity investment fund in Latin America and the proposed Conch mariculture and restoration project in the Caribbean. The IFC in particular tries to offer local communities incentives to protect biodiversity and at the same time derive an income from natural resources. For the future the IFC is looking for new high-quality, private-sector projects in developing countries that offer environmental benefits. For more information, please see: http://www.ifc.org/efg

11.2   Graeme Drake (International Organisation for Standardization)

The representative from ISO gave a short introduction to the institutional structure of ISO highlighting that it is a international technical NGO, with 148 member countries and a mixture of government, semi-government and private bodies. Within ISO each national member body is to represent its government, industry and consumer views. The main task of ISO is to develop international technical policy and reflect these policies in international standards and guides. He also noted that ISO itself does not carry out conformity assessments of its own standards. With regards to CITES he confirmed that CITES is a certification scheme as long as its management and scientific authority act independently of commercial interests. In particular, he defined the CITES certification scheme as a regulatory product scheme where the government holds the certification authority, as well as it is concerned with the actual product and not with the management system or the production system. He also noted that CITES needs to have strong credible implementation and in order to achieve this it might help to standardise practices. In order for CITES to also be recognised outside of the CITES world, he suggested to have CITES terminology aligned with ISO definitions used in the trade and regulatory communities, as well as developing a brand that conforms with ISO standards. He mentioned the importance of developing mutual recognition for export and import permits and certificates based on ISO guides. More information can be accessed at: http://www.iso.org.

Apart from commenting on how specific international standards and guides could be used to improve the internal robustness of the existing permitting/certification scheme within its purely regulatory context, Mr Drake also highlighted a number of other standards which should be considered if the existing CITES scheme were to be leveraged to become a full market recognition/branding type certification scheme. It was understood this is effectively happening in some cases by default (re-exporting of Caviar with specific branding using the CITES logo). Development in this direction needs to be approached in a cautious, planned and well resourced manner, and be consistent with relevant WTO rules. A scheme developed in accordance with international standards would satisfy WTO rules, and would provide CITES an opportunity to engage market forces to achieve the Convention's goals.

Mr. Drake concluded that ISO would be happy to further work with the UNEP and CITES to clarify the above issues. The international standards and guides on product certification, management systems certification, inspection, mutual recognition, peer assessment and accreditation may assist the Parties to improve the operation of the existing permitting/certification scheme within its current regulatory context, and could provide a sound basis for any future development of the scheme."

Participants questioned whether the definition of CITES as a pure product scheme is correct and raised the issue of process and production methods. The ISO representative mentioned that this might of course be correct and that CITES certification might be concerned partly with the product and partly with the management system. The ISO representative also mentioned that they are currently setting up an international NGO advisory committee so as to ensure full stakeholder involvement.

11.3   Rik Kutsch (UNCTAD-BIOTRADE)

The representative from the UNCTAD-Biotrade Initiative initially gave a short explanation of how the program works, namely by supporting governments in the development of biotrade country programmes, by supporting the country programmes through its regional and international activities and by developing partnerships with other organisations. In particular on the country level the initiative supports the development of national strategies, legislation and policies as well as through, *inter alia,* strengthening associations and community-based enterprises and facilitating finance and market access. Products covered under the programme, some of which might be of interest to CITES, include, edible plant products, food ingredients, pharmaceutical ingredients, medicinal plants, eco-tourism and fibers. He then informed participants on the various areas of collaboration between the UNCTAD-

Biotrade Initiative and CITES on the national, regional and international level. In conclusion he summarised further potential areas of collaboration such as: preparing an overview of joint activities in the countries; analysis of how the Secretariat could help to respond to country needs and cooperation activities, as well as carrying out market studies for wildlife. More information can be accessed at: http://www.biotrade.org

A participant asked to what extent the UNCTAD-Biotrade Initiative is involved at the national level and helps facilitate are smoother issuing of export permits. In response UNCTAD-Biotrade said that it had organised some workshops to help alleviate this particular problem, however that changes in permit issuing will take time.

11.4   James MacGregor (International Institute for Environment and Development)

The representative from IIED presented an analysis of wildlife trade industries for conservation with crocodilian skins as example. The starting point of the analysis was to provide a study on the structural characteristics of the industry, providing evidence of where "power" in the commodity chain of the product is located, as well as guidance to how this could work for conservation goals. The presenter noted that economic instruments often try to encourage stakeholders in wildlife production chains to develop and assure that conservation is an economic outcome. In his analysis of the crocodilian industry the presenter noted that the particular structure of this industry might, *inter alia,* enhance a structure where profits are being redirected away from the wild crocodilian resource and towards other industry segments. He also noted that in order to influence this structure one should be very aware of the different contracts and relationships within each steps of the commodity chain, these characteristics should inform the design of economic instruments. He also touched upon outside factors that might influence the industry such as fashion and trends, which can also be related with conservation aims. With regards to captive breeding and conservation the study outlined several long-term impacts on the industry due to the increased amount of skins from captive breeding, amongst others economies of scale and increased competition were noted. In conclusion, he noted that the long-term losers might be small suppliers due to a drop in prices and increased competition. Also he said can help CITES to understand why certain outcomes occur and how different economic factors influence the trade of wildlife products. The full study can be accessed at:

http://www.biodiversityeconomics.org/trade/topics-413-00.htm/

Following the presentation a participant highlighted the need to further look into how consumers could be discouraged from buying wildlife products and how stricter domestic measures such as import restrictions in the US could be applied. Furthermore, participants discussed the effects of a price drop within the captive breeding industry on the wild population and how monopolies affect the market. Another participant pointed out that the data did not include the production of crocodile for the food industry.

11.5   Stefano Pagiola (World Bank)

In his presentation the representative from the World Bank focused on whether payment programs for environmental services can help preserve wildlife. In the beginning of his presentation he highlighted that it is often difficult to provide land users with economic incentives from conservation that are as lucrative as if they used their land for, for example, agriculture. It would therefore, be important to make conservation work for land users in particular with regards to benefits. The World Bank together with national initiatives has therefore developed payments for environmental services that aim at understanding both the environmental sciences as well as the economics, it tries to capture the benefits from environmental services and channel those to the service providers. He then presented a project on water services payment, highlighting its environmental as well as economic characteristics and how benefits can be captured. Thereafter, he presented potential ways of capturing wildlife conservation services and who such a payment scheme would benefit. In conclusion, he noted that payments might be applicable to a subset of wildlife but not to all wildlife.

A participant pointed out that payments for environmental services might tip the land use from commercial uses (such as for example agriculture) to conservation.

11.6   Anthony Sandana and Jose da Luz (International Trade Centre)

The representative from the ITC explained to participants how the ITC functions as well as its main objectives. He highlighted, *inter alia,* the work undertaken on Product Market Analysis (MAPs) and their potential usefulness for CITES. He noted that MAPs aim at presenting, on a central location, extensive trade data and market intelligence. These data and the market intelligence are specifically designed for organisations active in international trade. The MAPs also provide quantitative market data, some of the products covered fall within CITES interests, such as wood products, live animals, cut flowers and ornamental plants, hides, skins and leather, medicinal plants, and meat and animal products. The ITC also provides access and publishes market research on its information pages and within its ITC's trade inquiry service. The ITC also provides other services such as creating simple company web pages and identify business contacts. In conclusion, the presenter noted that the product MAPs are still in development but should be developed soon. For more information on Product MAPs please see:

http://www.p-maps.org

Participants were keen on exploring further cooperation with the ITC and wondered whether data collected by the ITC could be shared with the CITES constituency and whether the data could be aggregated so as to provide exact data on wildlife production and trade. The ITC mentioned that they are quite flexible to discuss an approach tailored to the needs of CITES. However, the ITC also pointed out that they do not themselves collect the data but receive them directly from the countries.

11.7   Ron Steenblik (Organisation on Economic Cooperation and Development-Trade Directorate)

The representative introduced participants to the OECD and noted that the major part of the work relevant to the conservation of habitat and trade rules is conducted within the Agricultural Committee, Environmental Policy Committee, Fisheries Committee, and the Trade Committee. However since 1993 a Working Group on Economic Aspects of Biodiversity exist with the goal to assist member countries in developing policies for achieving sustainable use of biodiversity. The working group collaborates closely with international organizations and is, *inter alia,* concentrating on market creation, valuation, and access and benefit sharing. He also highlighted that OECD defines economic incentives to include: charging fees; charges and environmental taxes; creating markets and assigning well-defined property rights; and reforming or removing perverse subsidies. On perverse - or environmentally harmful subsidies - he highlighted that the OECD works towards identifying through which subsidy removals one would achieve an environmental improvement. For that purpose the OECD has develop a check-list, which however should not substitute more in-depth analysis. In the future the OECD would further aim to collect data, empirically apply the checklist as well as review reforms of environmentally harmful subsidies. Furthermore, the organisation would also focus on examining the social and economic implications of removing these subsidies and inform discussions on new disciplines. More information can be accessed at: http://www.oecd.org and at:

http://www1.oecd.org/agr/ehsw/

11.8   Anja Von Moltke/Charles Arden-Clarke (UN-Environment Programme-Economics and Trade Branch)

The UNEP-ETB presented its work on Integrated Assessments of Trade-Related Policies and on the use of Economic Instruments. The UNEP-ETB integrated assessments focus on the environmental and related economic and social effects of trade-related policies generating data on the inter-linkages. The general objectives include analysing the interaction between trade, environment and development policies; developing policy packages, including economic instruments to maximize sustainable development gains from trade and trade

liberalization; enhancing the capacity of local institutions to undertake assessment including by networking. and networking; and recording and disseminating the assessment process and policy design. In implementing their work the ETB contracts policy research institutes within the country in question, and works closely with relevant national ministries, and other stakeholders. UNEP highlighted the importance of empowering local institutions and experts during the formulation and implementation process so as to support a country-driven approach and secure local ownership at an early stage of the review and for the polidy recommendations it generates. across governmental and research institutions. On the lessons learned UNEP highlighted that the reviews need to look beyond trade policies, and develop policy packages that take environmental and social considerations into account. Inter-ministerial coordination needs to be enhanced in order to ensure long-term effects as well as a broad stakeholder engagement, effectively including the poor and other marginal groups. Other work with a specific focus on Economic Incentives and subsidies was also presented due to its relevance to ongoing CITES work. This included specifically the upcoming publications on the Use of Economic Instruments for Environmental Policy, Economic Instruments in the Context of Biodiversity related MEAs, numerous country studies and work on subsidies in particular related to the fisheries sector. More information can be accessed at: http://www.unep.ch/etu

12. Recommendations to the 50th meeting of the Standing Committee

The workshop participants then moved on to how the recommendations on i) the national wildlife trade policy reviews, and ii) the use of economic incentives, could be drafted for presentation at the 50th meeting of the CITES Standing Committee. Participants agreed that it would not be possible to finalise recommendations on the national wildlife trade policy reviews. In this context the Chairman suggested to use the background paper by Barney Dickson, including the additions to the paper derived from the workshop, as a starting point. The background document should then be reviewed by Juan Carlos Vasquez (CITES Secretariat), Barney Dickson , UNEP-ETB, the EU as well as with South Africa and Guyana. It will then be presented to the Standing Committee and report on the progress of identifying a methodology for the national reviews.

With regards to economic incentives the Chairman concluded from the workshop results that more work on the use of economic incentives is needed as well as more information gathering from already existing projects of other organisations such as the CBD and UNEP-ETB. It was then decided that Juan Carlos Vasquez (CITES Secretariat) together with James McGregor (IIED), UNEP-ETB, Indonesia and the EU will draft recommendations on economic incentives.   Participants also considered the need for another workshop on economic incentives before being able to provide more practical recommendations.