



HARRY G. BROADMAN

## China Needs The Market To Adhere To Its Ban On Ivory Trade

The Chinese leadership's announcement at the close of last year that, over the course of 2017 it would phase-in a domestic ban on imports of ivory, has been hailed as a truly watershed event. The hope is that a significant withdrawal by the largest participant in arguably the world's most pernicious market will suffocate trade in a commodity that has long threatened the extinction of the elephant population in Africa.

The success of China's move will hinge on the classic workings of supply and demand. But more importantly on Beijing's willingness to execute its new policy so market forces are able to accomplish what is intended. While China's economic reforms since the early 1990s are increasingly market-oriented, the country still only loosely embraces the most critical of these forces; indeed, this is the fundamental cause of China's structural economic crisis that is becoming more evident every day.

Let's look at the market drivers of international commerce in ivory.

The decision by President Xi to put a lid on China's participation in the market was an outgrowth of years of pressure exacted by environmentalists, largely those in the US and some other advanced countries to curtail the ability of Chinese consumers to purchase ivory products, whether parts of elephant tusks themselves or ornaments carved from the tusks.

The presumption is this will reduce incentives by Africans—in particular, warlords seeking to topple governments on the continent—to poach elephants as a source of revenue to fuel their militias. This phenomenon is similar to these groups' trade in 'blood diamonds' and other 'conflict minerals'. When Xi came to Washington earlier in 2016, President Obama capitalized on the publicly growing intensity against Beijing's blind eye toward China's role as the main force propelling illicit purchases of ivory. Obama turned up the heat on Xi. It's widely believed that Washington's action was ultimately what drove Beijing's decision.

Far less well known and appreciated, however, has been the growing influence—albeit indirect—on Beijing of African conservationists. Their calls for China to tamp down demand for ivory have fortified the more direct efforts by some African governments—especially those whose survival is threatened by the militant extremists on the continent.

Historically, African governments have only received lip service from foreign powers to which they've expressed concerns on any matter. But some African states have come a long way over the last several years in improved governance. Not only are they becoming more attentive to their domestic constituencies, but, in some cases, also more proactive in dealing with external influences. China is the most visible case in point.

Why is this so? It's rooted in the pace and scope of Chinese investment in Africa, which has accelerated over the past several decades. It should be no surprise that China's investments in Africa have been focused in the continent's valuable minerals and other natural resources.

African leaders, spurred on by local businesses and workers who feel threatened by China's involvement in their economies, have begun to recognize they have growing influence on, and economic leverage over, China. The result is that a growing number of African leaders are less shy in vocalizing any displeasure with Beijing. How effectively will this translate into Beijing reducing Chinese demand for ivory? It is likely to be more elusive than many might think.

Perhaps the most visible fly in the ointment is the ban excludes prohibiting domestic use, sales and purchases of ivory already in China. This is understandable, as it would be impossible to confiscate all such items. But while the preservation of the internal stock of ivory will not, in and of itself, engender an increase in China's external demand for ivory imports or induce the country's sales of ivory exports, the loophole could create a pernicious moral hazard that could seriously undermine fulfilling the stated objective of President Xi.

China has a record of announcing major policy changes, especially in international trade, but sometimes not enforcing them. The most well-known case in this regard has been Beijing's commitments to shut down domestic facilities manufacturing counterfeit foreign movies and CDs. And, fake foreign designer clothing, computer software, pharmaceutical products, and even college diplomas are not difficult to find in China.

Let's hope the elephants' tusks will be treated differently.