

Chapter 6

Illegal trade in environmentally sensitive goods: Conclusions

In this report we have examined the evidence, drivers and governance of illegal trade flows in environmentally sensitive goods such as wildlife, timber, fish, chemicals and hazardous waste. In some cases, the ‘illegality’ of the trade is a function of the characteristics of the good itself (*e.g.* protected species, ozone-depleting substances) and in some cases it is a function of the means by which it is harvested, exploited or manufactured (*e.g.* timber, fish).

The analysis has been constrained by the difficulty of assessing the magnitude of the trade flows. This is true of all illegal activities; there is a self-evident benefit from concealing the activity. However, this is likely to be particularly true of trade in environmentally-sensitive in which the ‘illegality’ is a function of the means of harvest, exploitation or manufacture and not ‘intrinsic’ to the good itself.

There are some general lessons arising out of the research. Firstly, in many cases illegal trade in environmentally-sensitive goods and services is primarily a function of local conditions. In particular, shortcomings in domestic regulatory capacity will give rise to unregulated management of natural resources and negative environmental impacts. In such conditions, “illegal” trade is the ancillary consequence of local governance failures, and every effort should be made to increase regulatory capacity in ‘supplier’ countries, whether the goods are destined for local or export markets.

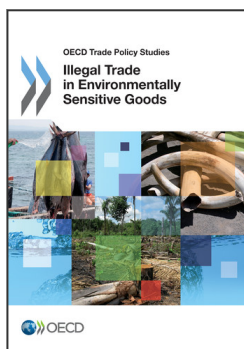
However, in some cases international trade can play an important, and even predominant, role in encouraging the ‘illegal’ exploitation of natural resources and the natural environment overseas. For example, for many types of wildlife species which are protected under CITES (and for which trade is illegal) the primary markets are overseas. In such cases, the importing countries – as the primary outlet for the environmental good – have an important role and responsibility to play in discouraging unsustainable practices.

Indeed, since the benefits from more sustainable resource and environmental management practices are likely to be enjoyed globally, importing countries have an interest in ‘policing’ such trade effectively. Whether an ODS is emitted from home or overseas the consequences remain the same. In addition, in many cases the importing countries may have greater capacity to regulate imports than the ‘supplier’ countries have to regulate exploitation and management. Effective trade regulation can be the most efficient means of ensuring domestic sustainable resource management.

In this regard, the review of international licensing agreements has highlighted some of the essential characteristics of successful agreements, including:

- Broad membership of exporting and importing countries
- Comprehensive coverage, including relevant substitute goods
- Reliable design of the licenses which facilitate least-cost enforcement
- Involvement of relevant stakeholders, including the private sectors

However, there is only so much which can be done at the point in which trade arises. National governance systems are the most important factors in abetting and constraining trade in environmentally-sensitive goods. This is not just a function of 'weak' governance per se. Irrespective of the nature of the resource and environmental management system adopted close attention should be paid to the implications for incentives for 'illegal' trade. Effective property rights regimes and the use of market-based incentives can provide strong incentives for resource users to ensure that exploitation is sustainable, with the ancillary consequence that incentives for illegal trade are less acute. However, this outcome is not a given.



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