

Importance of Export Controls to Economic Growth and Non-Proliferation

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No win-win situation !

Effective control can only be made at the expense of economic growth!

Why implement export control when some of your neighbours are not doing the same !

Export control measures always hinder business activities !



Common Misconceptions

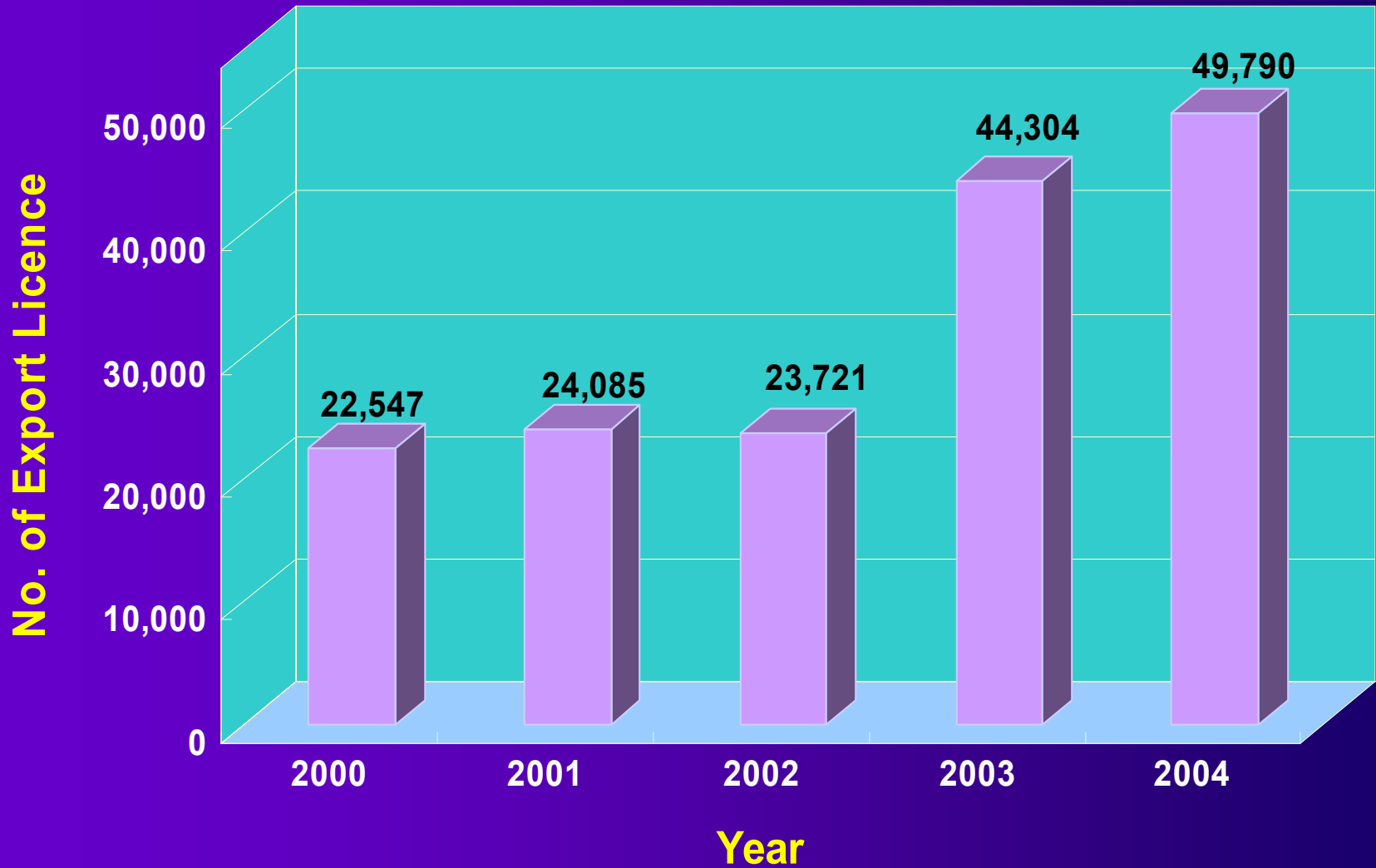
Hong Kong's experience

- **A long history of implementing strategic trade controls since 1950s**
- **Co-existence of strategic trade control system and business facilitation**
- **Hong Kong's continued significant economic growth**
- **No change after the “handover” to China in 1997**

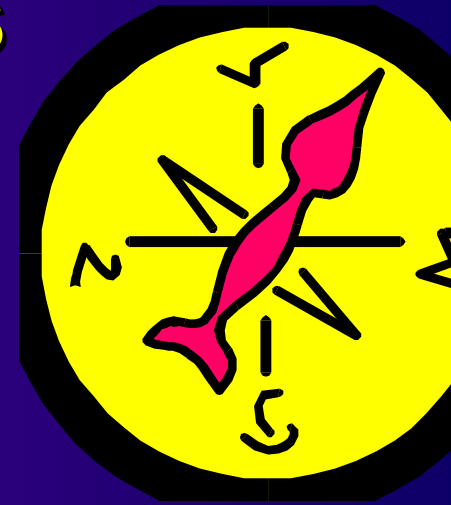
Number of Import Licences Issued 2000-04



Number of Export Licences Issued 2000-04



Economic Indicators



In 2004, Hong Kong was

- ◆ The 11th Largest Trading Entity
(Trade volume = US\$ 538.7 billion)
- ◆ The Busiest Container Port
(Ocean cargo throughput = 21.98 million containers)
- ◆ The 2nd Busiest Air Cargo Terminal
(Air cargo throughput = 3.12 million metric tonnes)

Hong Kong Special Administrative Region

Who are we?

- ☐ **“One Country, Two Systems”**
- ☐ **Separate Customs Territory**
- ☐ **Autonomous Trading Entity**
- ☐ **Administration of Own Strategic Trade Control System**

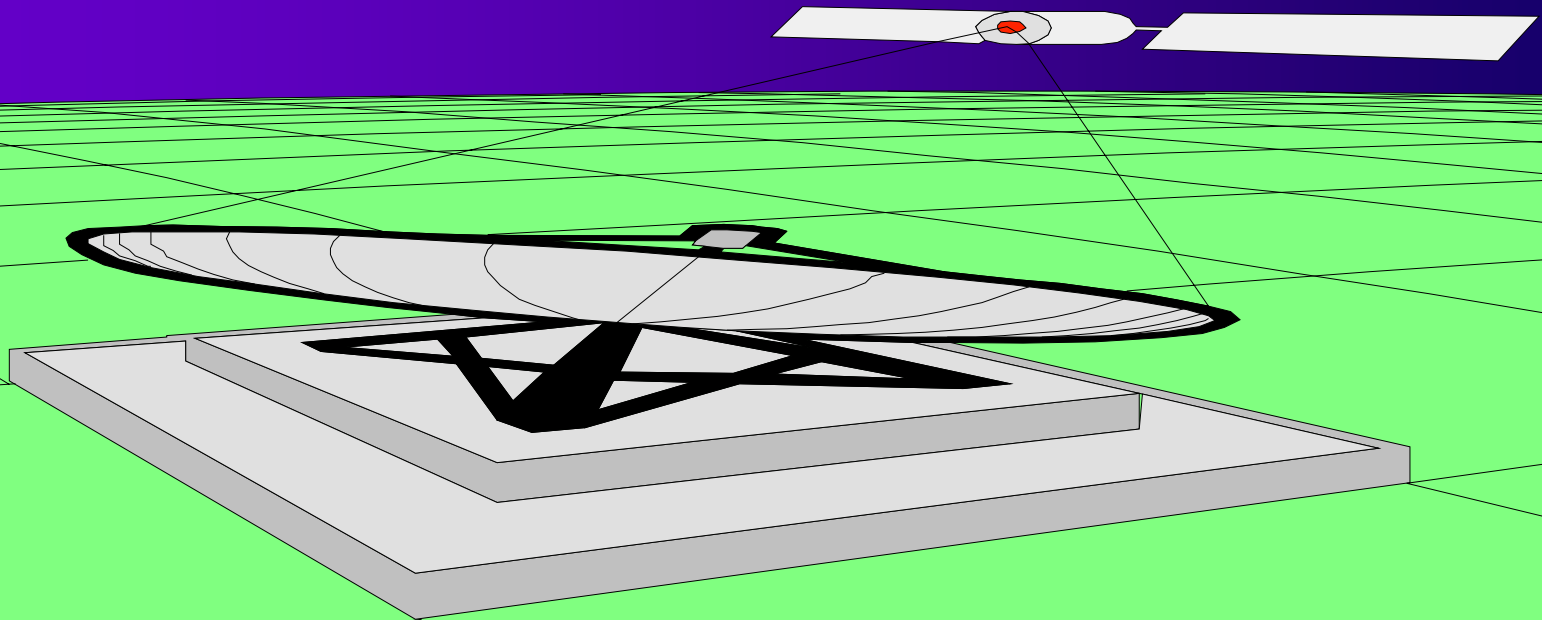
Objectives of Strategic Trade Control



Prevent Hong Kong from
being used as a conduit for
proliferation

Objectives of Strategic Trade Control

Secure continued access to higher technology in maintaining Hong Kong's role as a regional trade, financial and telecommunications centre



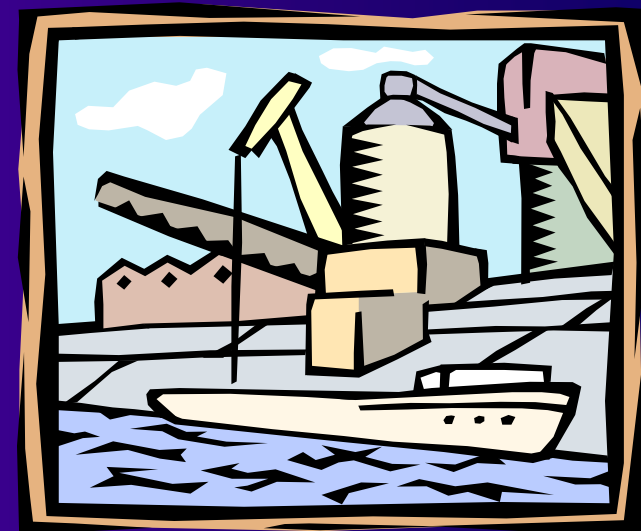
Growing Concern on Global Security

- Terrorism has posed a major threat to global security in recent years
- Preventing illegal diversion of weapons of mass destruction (WMD) has also been a primary concern around the world



Hong Kong's Role

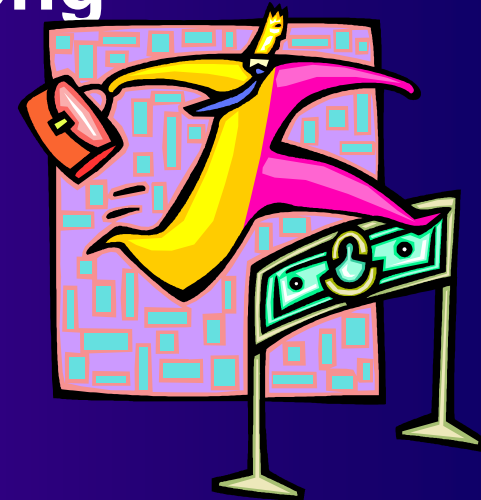
- ☰ Hong Kong is an important logistics hub in the region
- ☰ Our economy relies heavily on trading activities : over 40% of our total trade is re-export



Challenges faced by Hong Kong

We need to :-

- ▮ address the growing security and proliferation concerns of the international community; while
- ▮ facilitate as far as possible movement of legitimate goods through Hong Kong



***How does our
system work?***

Strategic Trade Control

Legislation

Licensing

Enforcement

**International
Cooperation**

Policy Commitment

Legal Basis of Control



Import & Export
Ordinance

Weapons of
Mass Destruction
(Control of
Provision of
Services)
Ordinance

Chemical Weapons
(Convention)
Ordinance

Control Lists

Hong Kong follows the highest international standards of control:



We incorporate their control lists into our laws

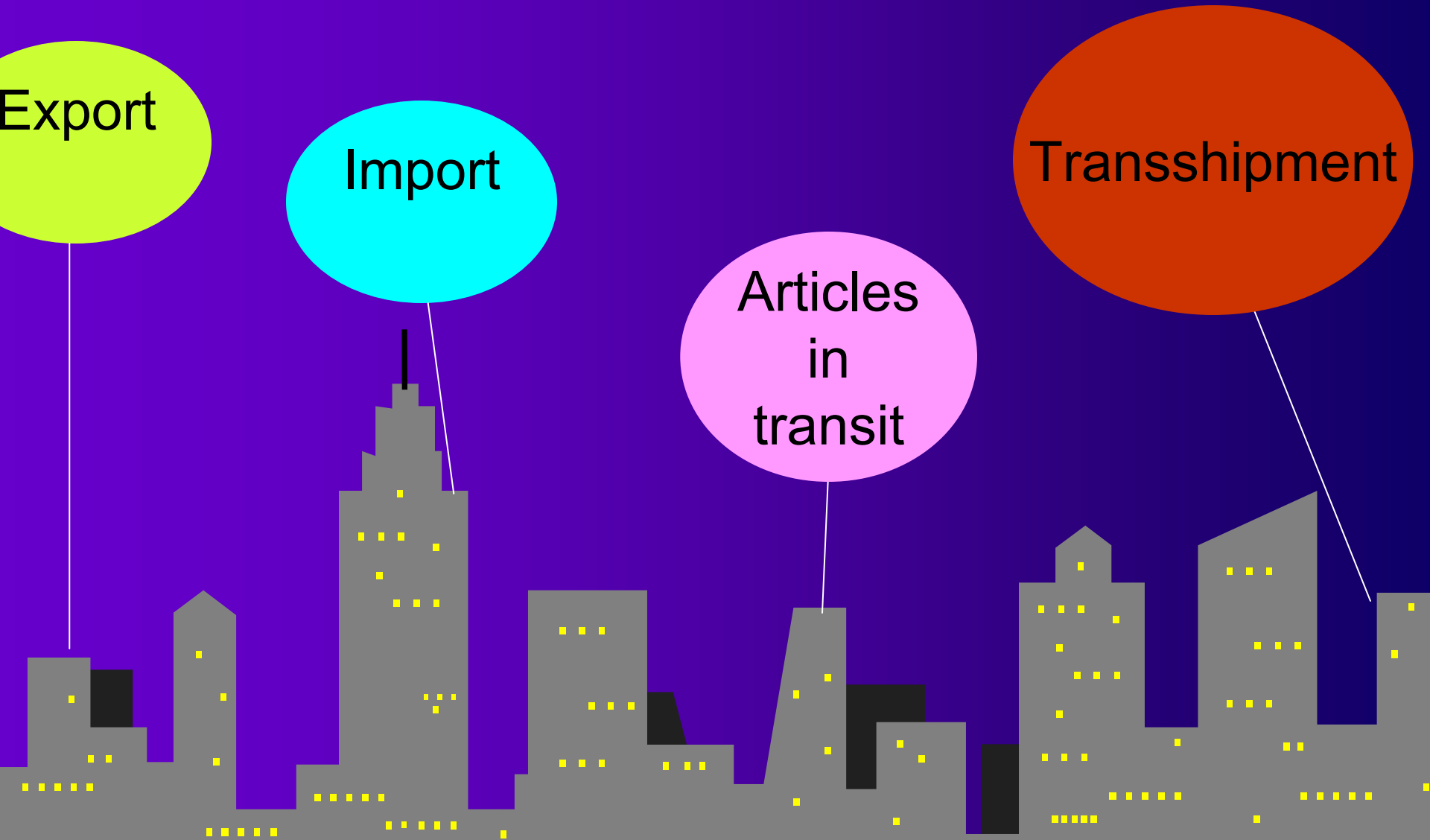
Unique Licensing Requirements

Export

Import

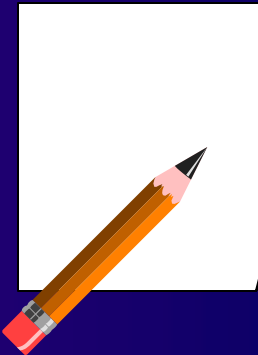
Articles
in
transit

Transshipment



Pre-shipment Licensing

- Licences must be obtained before goods enter into or leave Hong Kong
- Additional information from applicants or clarification with the supplier countries
- Suspicious cases for pre-shipment verification and investigation



Providing Facilitation (1)

Provide as far as possible facilitation to our traders without compromising the integrity and effectiveness of our control system

- on-going review and streamlining of licensing procedures for more expeditious processing of applications
- implementation of electronic application system
- provision of new services, e.g. pre-classification service

Providing Facilitation (2)

- ▣ **Fostering good understanding among business sector on the control system through outreach programme and promotional activities**
- ▣ **Communication with the trade through Customer Liaison Group**
- ▣ **Keeping frequent dialogues with traders in daily licensing work through meetings or informal contacts**

Liaison between Licensing and Enforcement Authorities

Close Liaison between licensing (TID) and enforcement (Customs) authorities

- pre-licence check
- post-shipment verification
- delivery verification check

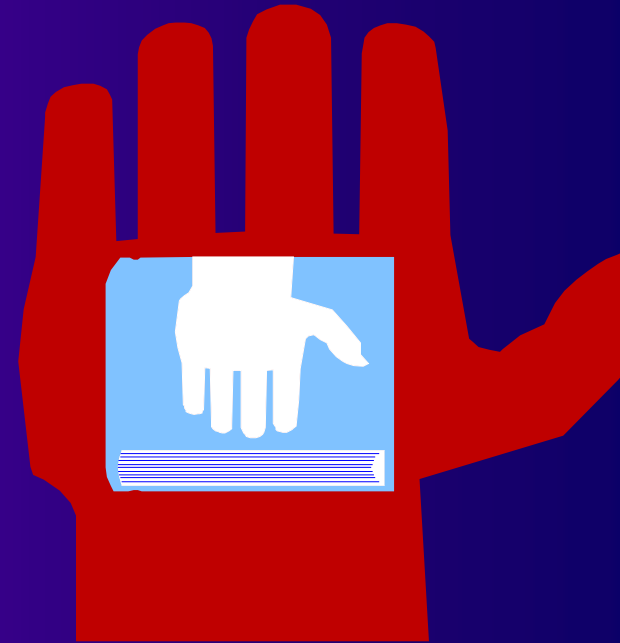
Sharing investigation results and intelligence



**TID &
Customs**

Extensive Enforcement Powers

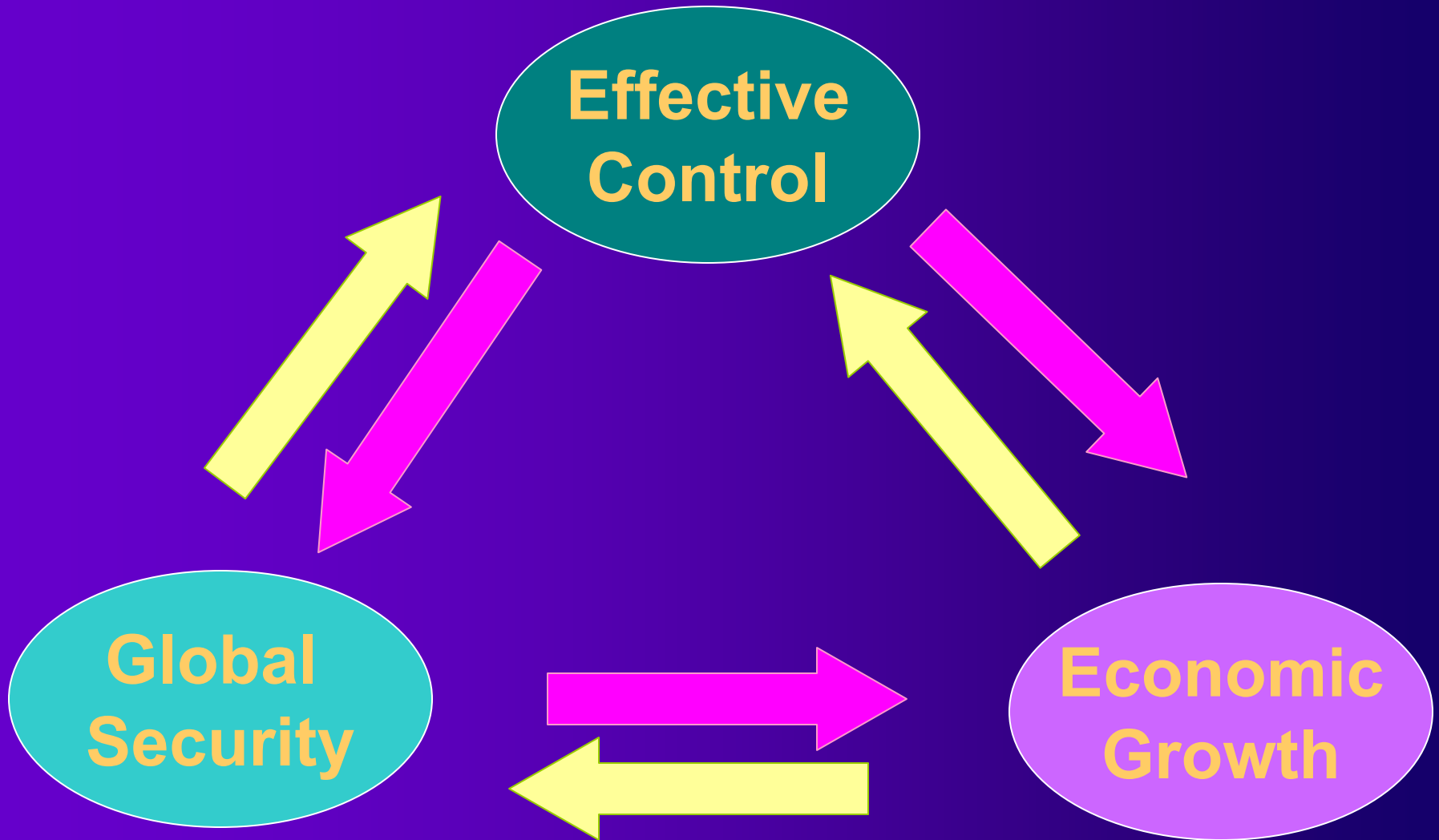
- Power to enter and search premises for enforcement
- Direction Order to detain the goods pending investigation
- Mandatory forfeiture
- Maximum penalty - 7 years imprisonment and unlimited fine



International Cooperation



Keys to Success



Thank You!