

Hong Kong's Experience of Strengthening Strategic Trade Control System: Legislation and Enforcement

Miss Erica Ng

Assistant Director-General, Trade and Industry Department

Mr S Y Cheung

Head of Trade Controls, Customs and Excise Department

Hong Kong, China

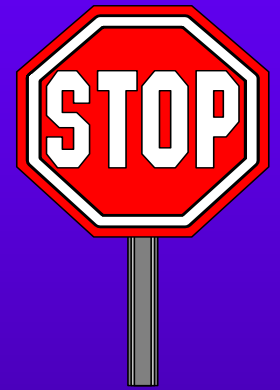
8th International Export Control Conference

Bucharest, Romania

6 - 8 March 2007

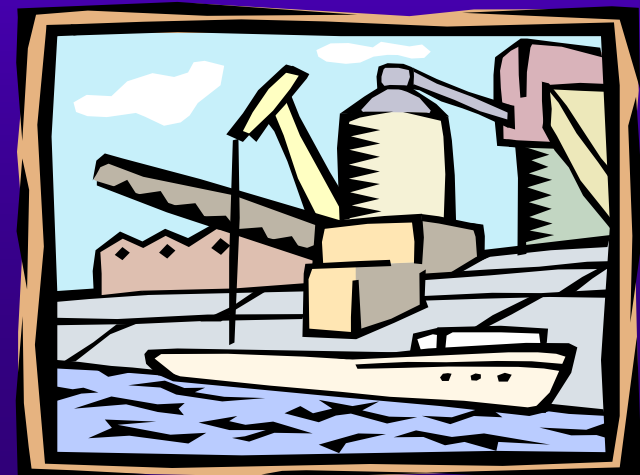
Policy Objectives

- ✓ Monitor the flow of strategic commodities so as to prevent Hong Kong from being used as a conduit for proliferation
- ✓ Secure continued access to high technology in maintaining Hong Kong's role as a regional centre of trade, logistics, finance, banking and telecommunications



The Situation in Hong Kong

- ✓ A significant trading centre
- ✓ An important logistics hub in the region
- ✓ One of the world's busiest container ports and air cargo terminals



Challenges

- ✓ We rely heavily on trading activities
- ✓ We have tremendous self interest in maintaining a robust export control system
- ✓ We need to:
 - address the security and proliferation concerns of the international community, while
 - facilitate as far as possible movement of legitimate goods through Hong Kong



Major Milestones in Strengthening Our Legislation



Law-based Control System since the 1950s

- ✓ A long history of implementing licensing controls since the 1950s for import, export and transshipment of strategic commodities
- ✓ Control List: Regime controls adopted in full
- ✓ Pre-shipment Licensing system
- ✓ Legal responsibility of carriers



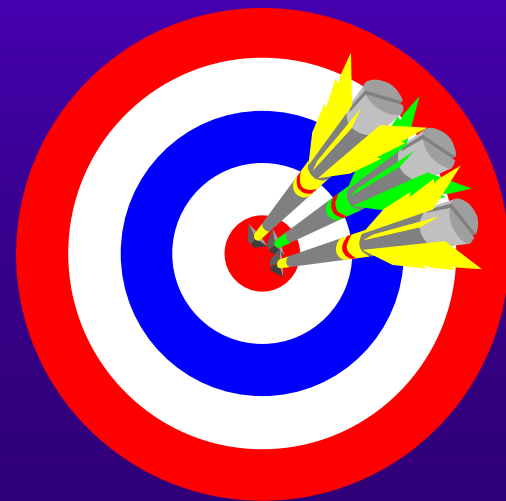
Transit Control since 1991

- ✓ As a major logistics hub in the region, Hong Kong imposes stringent control over sensitive goods even in-transit (remaining at all times on the same conveyance throughout its transit in Hong Kong)



End-Use Control since 1992

- ✓ Implement WMD catch-all control
- ✓ Control goods and equipment known or suspected to be used in connection with nuclear, chemical or biological weapons and related activities



Weapons of Mass Destruction (Control of Provision of Services) Ordinance since 1997

- ✓ **Dedicated piece of legislation to prohibit the provision of services relating to WMD and provide legal back-up for the enforcement against such activities**
- ✓ **Prohibited “services” include:**
 - ✓ Performance of work (incl. work of a professional nature)
 - ✓ Provision of financial assistance
 - ✓ Brokering activities
 - ✓ Provision of training, technological information or know-how
 - ✓ Intangible transfer of technology

Any Change After 1997 ?

- ✓ **“One Country, Two Systems”**
- ✓ **Separate Customs Territory**
- ✓ **Autonomous Trading Entity**
- ✓ **Administration of Own Strategic Trade Control System**
- ✓ **Continuation of Strengthening Control and Rationalising Procedures**

Legislation to Fulfill International Obligations

- ✓ **Enact legislation to enable Hong Kong to fulfill our international obligations**
- ✓ **Chemical Weapons (Convention) Ordinance to fully implement the requirements of the Chemical Weapons Convention in Hong Kong since 2004**
- ✓ **United Nations Sanctions Ordinance and its subsidiary legislation to implement sanctions decided by the United Nations Security Council in Hong Kong**

***Strengthening Enforcement
of the
Strategic Trade Controls
in Hong Kong***

Enforcement Powers

- ✓ Stop, board, remove, detain and search any vessel, aircraft or vehicle
- ✓ Seize article; require production and take copies of documents
- ✓ Enter and search any place without a warrant except domestic premises

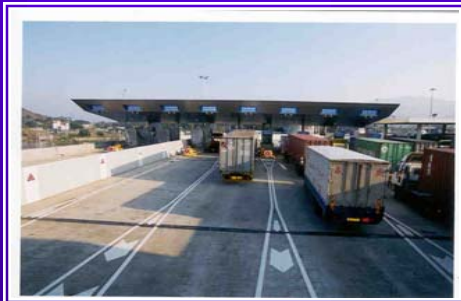


Strategic Trade Control Enforcement Programme

- ✓ Cargo examination
- ✓ Verification
- ✓ Investigation
- ✓ Prosecution



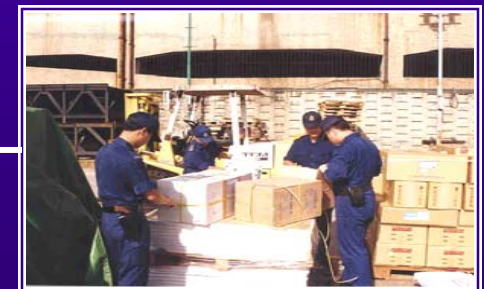
Cargo Examination



*Documentation
checks*



*Physical
examinations*



Verification

- ✓ Random Licensing Check
- ✓ Disposal Check
- ✓ Surveillance Check
- ✓ Delivery Verification Check
- ✓ Targeted Company Check
- ✓ Follow-up Check on Rejected Applications

Investigation

- ✓ **Cases developed from own intelligence**
- ✓ **Cases developed from verifications and examinations**
- ✓ **Referrals from local authorities**
- ✓ **Information from overseas authorities**

Prosecution

- ✓ **Maximum penalty :**

Unlimited fine + 7-year imprisonment

- ✓ **Mandatory forfeiture of seized
strategic commodities**

Intelligence Database

- ✓ **Customs and Excise Intelligence System**
- ✓ **Risk Management**

Risk Management

- ✓ High Risk Targets are subject to full enforcement attention

Indicators

- ✓ Sensitive destinations
- ✓ Watch-listed companies/vessels
- ✓ Munitions and Weapons of Mass Destruction-related products
- ✓ Targeted shipments



Risk Management

- ✓ Low Risk Targets are subject to random inspections and checks

Indicators

- ✓ Less sensitive destinations
- ✓ Dual-use low-end products

Cooperation with Trading Partners

- ✓ Customs to Customs Liaison
- ✓ Exchange of Intelligence
- ✓ Case Referrals





Thank You