

Transshipment and Transit Controls on Strategic Commodities in Hong Kong

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Hong Kong's Situation

- **A significant trading centre**
- **An important logistics hub**
- **Our economy relies heavily on trading activities**



Growing Concern on Global Security

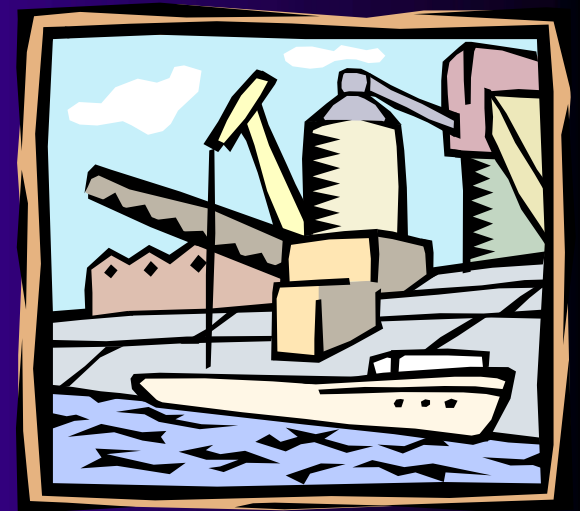
- **Anti-Terrorism has become a major concern of global security in recent years**
- **Preventing illegal diversion of weapons of mass destruction (WMD) has also been a primary concern around the world**



Challenges faced by Hong Kong

We need to strike a balance between:-

- ▣ addressing the growing security and proliferation concerns of the international community; while
- ▣ facilitating as far as possible movement of legitimate goods without compromising the integrity and effectiveness of our control system



Transshipment and Transit Controls

- ✓ As a major transshipment hub, Hong Kong imposes comprehensive control over import, export, transshipment and transit of strategic commodities



Our Current System: The Four Basics

Strategic Trade Control

Legislation

Licensing

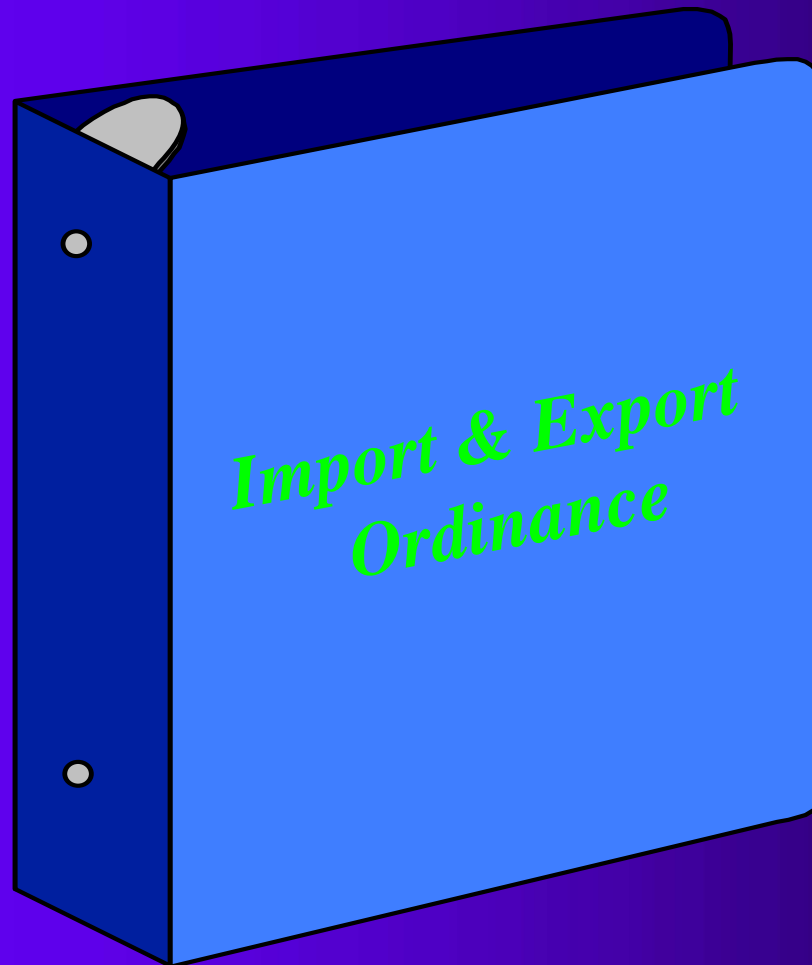
Enforcement

International

Cooperation

Policy Commitment

(I) Legal Basis of Control



Hong Kong's Control List

CWC	MTCR	NSG, NNPT	AG	WA
Chemical Weapons Convention	Missile Technology Control Regime	Nuclear Suppliers Group, Nuclear Non-Proliferation Treaty	Australia Group	Wassenaar Arrangement

- ✓ mirroring those of the international regimes
- ✓ regular updating to reflect changes made in regimes

Transshipment

- ✓ **“Transshipment cargo”** means any imported article that :-
 - is or to be removed from the vessel, aircraft or vehicle in which it was imported and either returned to the same vessel, aircraft or vehicle or transferred to another vessel, aircraft or vehicle before being exported
 - consigned on a through bill of lading or through air waybill from a place outside Hong Kong to another place outside Hong Kong



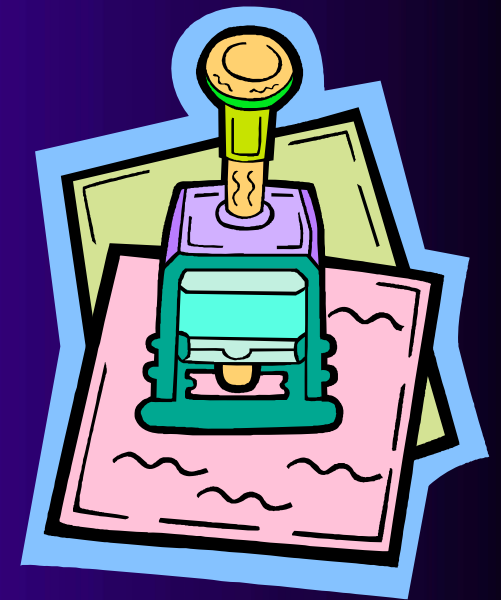
Transit

- ✓ **“Article in transit”** means an article which :-
- is brought into Hong Kong solely for the purpose of taking it out of Hong Kong ; and
 - remains at all times in / on the vessel or aircraft in / on which it is brought into Hong Kong



(II) Licensing System

- ▣ **Pre-shipment licensing**
- ▣ **Consignment based**
- ▣ **Licensing control for import, export, transshipment and even articles in transit**
- ▣ **Legal responsibility of carriers**
- ▣ **No undercutting principle**



Licensing for Transshipment and Transit

- ✓ **Transshipment:** Licences are required unless otherwise exempted under law
- ✓ **Transit:** Licences are required for specified sensitive items
- ✓ **WMD end-use:** Licences are required without exception



Legal Responsibilities of Carriers

- ☐ Obtain valid import licence before releasing goods to importers
- ☐ Receive valid export licence before accepting goods for export
- ☐ Return licences with carrier's manifest for cross-checking
- ☐ Independent third party



No Undercutting Principle

- ☐ **Not to undercut the control systems of trading partners**
- ☐ **No re-export unless authorised by originating country**
- ☐ **Guarding against unauthorised diversion**

Balance Between Trade Controls and Trade Facilitation

Control = Draconian?



Providing Facilitation

Streamlining measures:

- ☐ **Pre-classification service**
- ☐ **Electronic licence application via Internet**
- ☐ **Approval-in-Principle Arrangement for Bulk Users**

Promoting Industry Awareness

- **Industry compliance is the key to effective control**
- **Foster good understanding among business sector on control system through outreach and promotional activities**
- **Keep frequent dialogues with traders through Customer Liaison Group, seminars and briefings, and in daily licensing work**

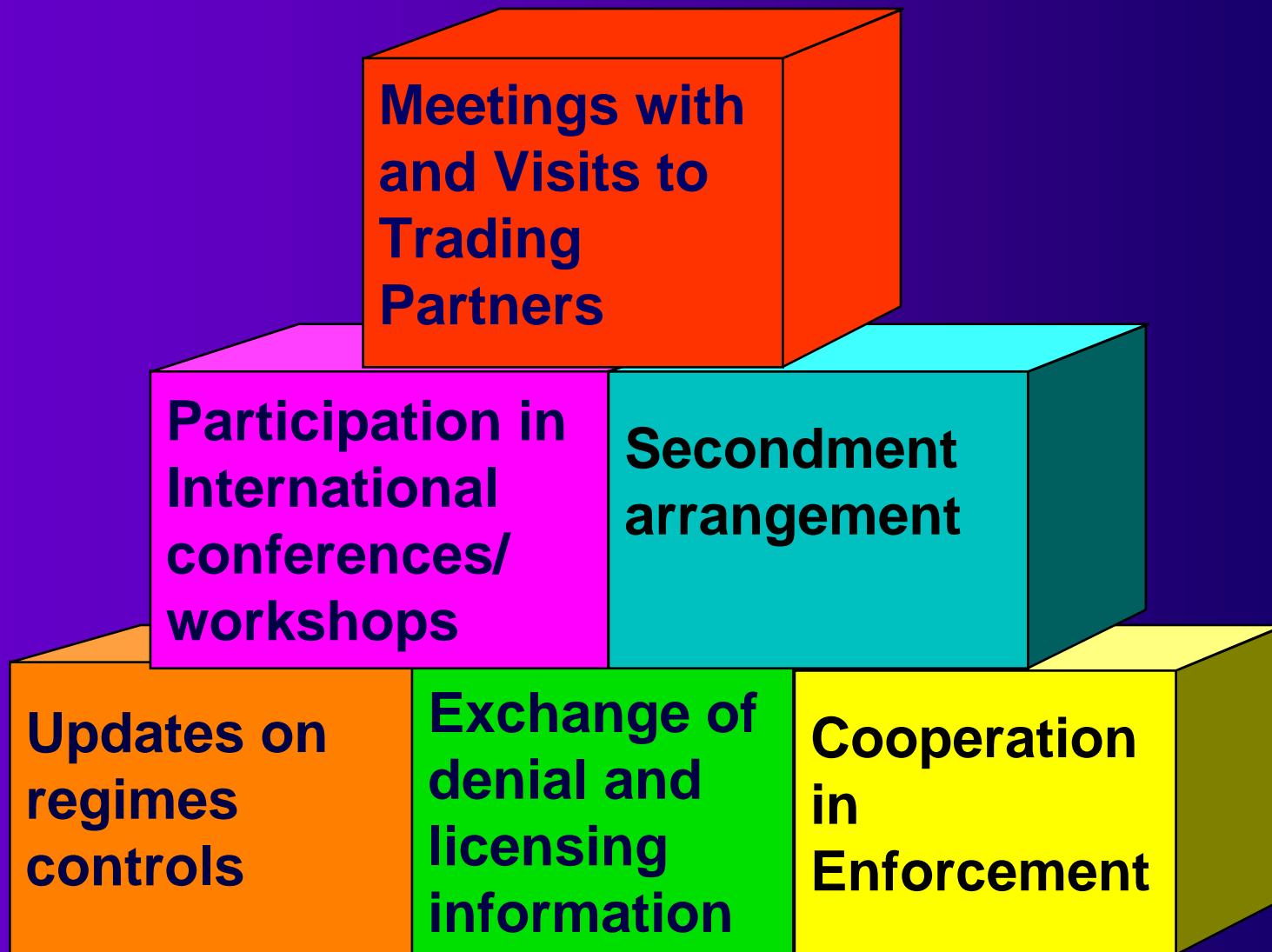


(III) Extensive Enforcement Powers

- ☐ Power to enter and search premises for enforcement**
- ☐ Direction Order to control the movement of suspected offending articles pending investigation**
- ☐ Mandatory forfeiture**
- ☐ Maximum penalty - 7 years imprisonment and unlimited fine**



(IV) International Cooperation



Thank you!