

Strategic Trade Control



Notes to Traders / Carriers / Secretarial Service Companies

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Strategic Commodities

Why is the trade of strategic commodities controlled?

- To prevent Hong Kong from being used as a conduit for proliferation of weapons of mass destruction.
- To ensure Hong Kong's continued access to high-tech products under the "One Country, Two Systems" principle and the "separate customs territory" status enshrined in the Basic Law.

How does Hong Kong control the trade of strategic commodities?

- The Import and Export Ordinance, Chapter 60 of the Laws of Hong Kong ("The Ordinance") and its subsidiary legislation, the Import and Export (Strategic Commodities) Regulations ("the Regulations") are the legal basis for strategic trade control.
- Import, export and transshipment of strategic commodities are subject to licensing control. Transit of "more sensitive" items also requires import/export licences.
- The Trade and Industry Department is responsible for issuing import and export licences while the Customs and Excise Department is responsible for enforcement.

What types of goods are subject to strategic trade control?

- (1) **Schedule 1 of the Regulations** comprises two lists that set out strategic commodities of which their imports/exports or transshipment is only possible provided a licence is obtained—

List	Examples
Munitions	Firearms, ammunition, explosives, bombs and rockets, tanks and toxicological agents, etc., and equipment and technology for the production of these weapons
Dual-use Goods	Nuclear materials, facilities and equipment; materials, chemicals, micro-organisms and toxins; materials processing; electronics; computers; telecommunications and information security; sensors and lasers; navigation and avionics; marine; propulsion systems, space vehicles and related equipment.

- (2) **Schedule 2** sets out certain "more sensitive" products in Schedule 1. They are also subject to licensing control in the case of transit (i.e. remaining on board the same vessel or aircraft throughout its passage through Hong Kong).
- (3) Items not included in Schedules 1 and 2 are still subject to licensing control if they are intended for use in the production, development or use of weapons of mass destruction. **Schedule 3** lists the relevant items, while **Schedule 4** sets out activities related to the items listed in Schedule 3.

How do I tell whether the goods are subject to licensing control?

- (1) Schedules of the Regulations (www.legislation.gov.hk) list the descriptions of the equipment, technology or uses of controlled items.
- (2) Search engine on the Trade and Industry Department's website (www.stc.tid.gov.hk): Provides checking of control status of specific common dual-use goods.
- (3) **Free pre-classification service:** You may submit product information to the Trade and Industry Department for an advice on whether the relevant goods require a licence. Applicants will be given a formal "Pre-Classification Result". The service is **free of charge**.

Common strategic commodities in Hong Kong

- Munitions such as firearms and ballistic vests
- Dual-use goods. Traders/carriers should pay attention to the detailed technical specifications of the goods to determine whether they are strategic commodities:
 - (1) Microprocessors
 - (2) Analogue-to-Digital Converter (ADC) and Digital-to-Analogue Converter (DAC) integrated circuits
 - (3) Numerical machines
 - (4) Network equipment with cryptographic functions
 - (5) Microwave Monolithic Integrated Circuits power amplifiers (aka MMIC power amplifiers)
 - (6) Field programmable logic devices (aka FPLD)

What should I do to import or export strategic commodities?

- Complete a licence application form by electronic submission or paper submission and send it together with supporting documents to the Trade and Industry Department. **The application is free of charge.**
- The processing of a licence application includes a technical assessment process and a risk assessment process.
- Normally, straightforward cases require no more than 2.5 clear working days to process. Complicated cases may take longer time to process. Please apply well in advance.
- In case you have doubts about the control status of goods to be imported/exported, please contact the Trade and Industry Department.

Responsibilities of traders/carriers

- Ensure that import/export licences are obtained before shipping strategic commodities.
- Importers/exporters should deliver valid import/export licences to carriers before taking delivery from the carriers or before the export of the goods.
- Importers/exporters must ensure that the goods to be imported/exported are the same as those declared on the import/export licences.
- Carriers should return import/export licences as provided by the importer/exporter to the Trade and Industry Department together with a copy or extract of the manifest and release/shipment of the goods concerned.
- Ensure that the goods are not exported or in transit and destined for countries or places of concern.
- Know your customer. Ensure that the goods are to be exported to a legitimate end-user.
- Ensure that the technical capabilities of the goods are suitable for the end-use declared.

Responsibilities of secretarial service companies

- Pay attention to the identity and the business of your clients, and draw your clients' attention to the strategic trade control in Hong Kong if your clients are likely to be engaged in the import and export of strategic commodities.
- Avoid lending your address as the registered company address of your clients without knowing the clients' background and business undertaken.
- Obtain more information and details if you act for your clients for any import or export activities in Hong Kong.

Beware of red flags

- "Red flag" refers to the situation when exports may end up in inappropriate end-uses, end-users or destinations.
- Examples:
 - (1) the customer is reluctant to offer information about the end-use of the goods;
 - (2) the customer declines routine installation, training or maintenance services;
 - (3) the customer's order is considered to be inappropriate or for which the customer appears to have no legitimate need;
 - (4) the quantity and performance capabilities of the goods ordered significantly exceed, without satisfactory explanation, the amount or performance normally required for the stated end-use.
- You should make enquiries about the customer when you come across a red flag. If you still find it suspicious after enquiries, you should submit a licence application to the Trade and Industry Department, giving all relevant information and stating the likely end-use of the goods and technology and the grounds for suspicion.

Enquiries

- **E-mail address:** stc@tid.gov.hk
- **Customer Service Hotline:**
Licensing Section - 2398 5575
Classification Section - 2398 5587
- **Website:** www.stc.tid.gov.hk
- **Integrated Customer Service Centre:** Room 1324, 13/F, Trade and Industry Tower, 3 Concorde Road, Kowloon City, Hong Kong

Importing or exporting strategic commodities without having obtained a licence is a criminal offence. The maximum penalty will be an unlimited fine and imprisonment for 7 years.

Don't guess by mere appearances! You need the technical specifications of the goods to know whether they are classified as strategic commodities.

Trade and Industry Department is ready to assist if you want to know the control status of the goods.

 Trade and Industry Department
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