

(Translation)

LEGCO QUESTION NO. 5

(Oral Reply)

Date of sitting: 10 July 2002

Asked by: Hon. LAU Kin-ye, Miriam Replied by: Secretary for Commerce, Industry and Technology

Question:

The Government of the United States of America (“USA”) announced the Container Security Initiative in February this year to prevent terrorists from smuggling illegal items, including explosives and nuclear weapons, into USA by using containers. The measures under the Initiative include the stationing of custom officers in various ports worldwide to pre-screen containers before they are shipped to USA. In this connection, will the Government inform this Council:

- (a) of the details of the container pre-screening measure, and the latest development of the discussion between the Administration and the USA Government in this regard;
- (b) whether it has assessed the impact of the container pre-screening measure on Hong Kong’s logistics industry and, in particular, the efficiency and costs of port operation; if it has, of the outcome of the assessment; and
- (c) whether it will widely consult consignors and other affected parties in Hong Kong and assist them in meeting the requirement of the container pre-screening measure; if so, of the consultation timetable and details of the assistance that the Administration will provide; if not, the reasons for that?

Reply:

Madam President,

- (a) Since the “September 11” incident, the Government of the Hong Kong Special Administrative Region (the SARG) has taken various steps to demonstrate its commitment to the global efforts to fight against terrorism. The concern of the United States (the US) about the

potential risk of terrorists making use of US-bound containers to make attacks is understandable.

As a counter-measure to the potential risk mentioned above, the US Customs proposed the Container Security Initiative (CSI) in January 2002 and issued in February a fact sheet conceptually outlining the four core elements of the CSI as: (1) establishing security criteria to identify high-risk containers; (2) identifying high-risk containers; (3) using technology to quickly scan high-risk containers; and (4) developing and using smart and secure containers. In short, the US Government hopes that US-bound containers would be pre-screened at the ports of origin so as to ensure the security of US ports and homeland. The US Government also considers the CSI useful in minimising the possibility that the global container traffic would be disrupted by terrorist attacks. The US Government however has not provided details of the CSI until recently.

In late April this year, the US Government, through the US Consulate General in Hong Kong, approached the SARG to initiate a dialogue on the CSI. In early June, the Acting Assistant Commissioner of the US Customs, Mr Donald Shruhan, led a delegation to visit Hong Kong and provided us with more details of the CSI, including information on the pilot runs of the CSI carried out by the US and Canadian Customs at a number of Canadian ports. Because of time constraint and the fact that it was until then that Hong Kong was given more details of the CSI, the two sides only had a preliminary exchange on the possible implementation of a CSI pilot run in Hong Kong. The two sides however agreed to find ways to strengthen information sharing. At the invitation of the US delegation, in late June the SARG sent an inter-departmental delegation to visit the ports of Newark, Montreal and Vancouver, where pilot runs of the CSI were being carried out by the US and Canadian Customs.

Following the discussion with the US and the visit to a few CSI pilot ports in June, we now have a better understanding of the mode of operation of the CSI. Under the CSI, the customs authority of the participating port will obtain cargo information of US-bound oceangoing containers prior to the departure of the containers from the port. The US Customs and the customs authority of the participating port will then conduct risk assessment to identify containers that carry a high risk of being exploited for terrorist attacks. Containers identified as high-risk will be scanned with high-technology equipment such as mobile X-ray scanning machine by the customs authority of the participating port, and

if necessary, they will be unloaded and subjected to detailed examination. Under normal circumstances, containers that have been classified as low-risk or have been examined will not be examined again by the US Customs when entering the US. In short, the container pre-screening measures under the CSI take place at three levels: (1) scrutinising of US-bound cargo information to identify high-risk containers; (2) quickly scanning the identified high-risk containers using inspection equipment; and (3) detailed examination of the high-risk containers where necessary.

The SARG supports the goal of the CSI, i.e. to enhance the security of ocean-going containers. In considering whether or how Hong Kong should participate in the CSI, it is important to balance container security against a host of factors, such as the impact on trade, practicability, impact on the efficiency and competitiveness of Hong Kong's container port, as well as the response of other major ports to the CSI. I wish to point out that if Hong Kong eventually decides to participate in the CSI, the US Customs officers to be stationed in Hong Kong will not have any inspection or enforcement powers. All inspections will be done by Hong Kong Customs in accordance with Hong Kong law. Hong Kong's jurisdiction will not be affected.

In the light of the information recently obtained, the Commerce, Industry and Technology Bureau, together with other relevant departments, are carefully studying the possible mode of operation, feasibility and impact of implementing a CSI pilot run in Hong Kong. The Government will widely consult the industry, and will continue to actively discuss the matter with the US Government.

- (b) The extent to which the implementation of the CSI will affect the logistics industry and the operation of the container port in Hong Kong depends mainly on the mode of operation and details that would ultimately be agreed between Hong Kong and the US. At present, we can only roughly assess the possible impact on the basis of the mode of operation suggested by the US side.

According to the pre-screening mechanism proposed by the US Government, the Hong Kong and US Customs will conduct risk assessment and inspections on the basis of advance information on US-bound cargoes prior to the departure of the containers from Hong Kong. Currently, carriers however are allowed to submit cargo manifests to the Hong Kong Customs within seven days after the cargoes have been exported. Shipping liners usually only request the

freight forwarders or shippers to provide cargo information for the preparation of the manifest after the vessel concerned has departed. As such, the implementation of the CSI and any requirement on advance submission of cargo information / manifests will, to a certain extent, affect the long-standing mode of operation of the shippers, freight forwarders and shipping liners. To be able to submit advance cargo information, those companies may also need to upgrade their information systems.

Besides, cargoes which have not been assessed due to the unavailability of advance cargo information may be subject to inspection upon arrival at the US port; this might cause delays in delivery to the consignees. Depending on the number of containers that are identified as high risk and that have to be inspected, the operations of the shipping liners and the container port in Hong Kong might be affected.

- (c) In considering whether or how Hong Kong should participate in the CSI, the SARG will widely consult the industry, including shippers, freight forwarders, shipping liners, as well as container port operators. The Hong Kong Customs has already made preliminary contacts with some organisations with a view to studying whether it is feasible for the industry to provide cargo information prior to the departure of the containers from Hong Kong. We will be meeting shortly with representatives of the relevant industrial associations to seek their views. We hope to be able to make a decision on whether Hong Kong should participate in the CSI and if so, in what practicable way.