

**LegCo Panel on Commerce and Industry
Meeting on 3 October 2002**

Hong Kong / United States Cooperation on Container Security Initiative

Purpose

The Administration has been in discussion with the United States over cooperation on the Container Security Initiative (CSI) in the past few months. This paper informs Members of the present position.

Background

2. Early this year, the United States (US) Customs proposed the CSI to address the potential risk of terrorists making use of ocean-going containers to make attacks. According to the US Customs, the CSI has four core elements viz. establishing security criteria to identify high-risk containers; identifying high-risk containers; using technology to quickly scan high-risk containers; and developing and using smart and secure containers. In short, a participating foreign port needs to pre-screen US-bound containers for security risks before they depart for the US. While the US proposed the CSI with the main goal of enhancing the safety of US ports and homeland, it also considers the CSI an important initiative to enhance the security of global maritime shipping and trading.

3. Hong Kong ranks number one in terms of the flow of containers into the US. Hong Kong is among the 20 mega ports¹ with which the US Customs has been actively seeking cooperation on the CSI.

¹ Other ports include Shanghai, Singapore, Kaoshiung, Rotterdam, Pusan, Bremerhaven, Tokyo, Genoa, Yantian, Antwerp, Nagoya, Le Havre, Hamburg, La Spezia, Felixstowe, Algeciras, Kobe, Yokohama and Laem Chabang.

Hong Kong/US Discussions

4. After a preliminary round of discussion on possible implementation of a CSI pilot scheme in Hong Kong in June, the Government sent an inter-departmental delegation to observe how CSI pilot runs were being carried out at the ports of Newark, Montreal and Vancouver. Our understanding of how a CSI pilot scheme might be operated, as gathered from the preliminary discussion and visit in June, is set out in paragraph 5 below.

5. Under the CSI, the customs authority of a participating foreign port will need to obtain cargo information on US-bound containers prior to the containers' departure for the US. Based on the cargo information received, the customs authority of the participating port and the US Customs will conduct risk assessments to identify containers that carry a high risk of being exploited for terrorist attacks. Identified high-risk containers will be scanned with equipment such as mobile X-ray scanning machine, and if necessary, subject to detailed examination by the customs authority of the participating port. The US Customs officers posted to the participating port will not have any inspection or enforcement powers; all inspections will be done by the customs authority of the participating port. Under normal circumstances, containers that have been classified as low-risk, as well as those scanned or examined without abnormalities found, will not be inspected again when they arrive at the US ports.

Consultation with the Trade

6. Given the huge throughput and short turnaround time of our port, as well as the current post-shipment, paper-based manifest reporting system, the CSI could have significant implications for cargo flow, trade practices of the various players in the cargo handling chain, port efficiency, customs operations

etc. The Government has therefore been approaching the subject with due caution. In particular, we have maintained close liaison with the industry associations of shippers, freight forwarders, shipping lines, container terminal and mid-stream operators, to ascertain the possible impact on these parties if a CSI pilot scheme were to be carried out in Hong Kong. The discussions so far focussed on possible arrangements for advance submission of cargo information and inspection of identified containers.

7. After several rounds of discussions, the commercial players are in general supportive of the CSI, and they agree to make efforts to facilitate advance collection of cargo data and inspection of identified containers by Hong Kong Customs. At its meeting held in August, the LOGSCOUNCIL, the Government's major advisory body on logistics development, also pledged support for the CSI. Despite this general support, we are fully aware that a lot of work remains to be done to bring about changes in trade practices.

Latest Developments

8. After careful consideration and close consultation with parties in the cargo handling chain, the Government has decided to cooperate with the US Government on the CSI. Hong Kong's participation in the CSI would help ensure the smooth flow of US-bound containers, as containers pre-screened in Hong Kong would normally not be inspected again when they arrive at the US ports. The CSI should also help enhance the security of global maritime trading, which is vital to Hong Kong as an important trading economy and the world's busiest container port. The competitiveness of our port is also a consideration leading to our decision.

9. On 23 September 2002, the Hong Kong and US Customs Commissioners signed a Declaration of Principles (DoP) on bilateral customs

cooperation on the CSI. Under the DoP, the Hong Kong and US Customs will exchange information and work together closely to facilitate the identification and screening of high-risk containers. They will also consult closely on the implementation details of a CSI pilot scheme in Hong Kong. Before our signing of the DoP, the relevant governments had already signed similar DoPs with the US in respect of the ports of Rotterdam (the Netherlands), Antwerp (Belgium), Le Havre (France), Bremerhaven and Hamburg (Germany), as well as Singapore.

Next Steps

10. The Hong Kong and US Customs will in the near future start discussions on the implementation details of a CSI pilot scheme in Hong Kong. During such discussions, we will continue to maintain close liaison with the recent industry associations. In the meantime, the industry associations have agreed to conduct a one-month test run to better assess the various parties' readiness to submit advance cargo information through the electronic manifest reporting (EMAN) system. The Hong Kong Customs will soon carry out the test run, which will not involve any US Customs officers. The test run should better prepare the Hong Kong Customs and the commercial players for any operational problems that may arise when a CSI pilot scheme is implemented in Hong Kong in due course.

Commerce and Industry Branch
Commerce, Industry and Technology Bureau
September 2002