

**Information on the Inspection Procedures and
Measures to Prevent Illegal Circumvention of Origin Rules
in respect of Hong Kong Exports to the United States**

For a long period of time, Hong Kong's textiles and clothing (T&C) products have been dominating our domestic exports. At present, over 50% of our domestic exports are still T&C products. T&C exports to the United States, same as those destined for Canada and the EU markets, are subject to export quota restriction and they must be manufactured in Hong Kong in compliance with the rules of Hong Kong origin. Customs and Excise Department (C&ED) has been tasked to enforce the Textiles Export Control System to ensure that domestic T&C exports to the United States as well as other markets do comply with the relevant rules of Hong Kong origin and licensing requirements.

2. Presently, C&ED implements the following enforcement procedures and measures which are considered to be effective and efficient to guard against circumvention of the certification and licensing systems in respect of Hong Kong exports to the United States:-

(1) Consignment Check

Applications for production notifications / export licences are selected on the basis of risk assessment profiling or random selection for consignment checks by officers of the C&ED. Through the application of the risk management techniques, manufacturers with high-risk indicators are subject to more frequent checks. . As far as practicable, officers of C&ED will conduct real time checks on the consignments so as to enable officers to witness the production of goods in the premises registered with the Trade and Industry Department. In the course of consignment checks, officers will also check the relevant documents and records, verify the factory's machinery and assess the skillfulness of the workers for the purpose of ascertaining if the goods under the applications for

production notifications / export licences are genuinely produced by the factory concerned.

(2) Factory Audit Check (“FAC”)

Through FAC, officers of the C&ED are able to ascertain if a factory’s previous exports over a specific period were commensurate with its production during the same period. In an FAC, officer will check a factory’s records of ordering, raw materials purchasing, manufacturing processes, workers’ wages receipt etc to ascertain its total production during a period. Officers will also conduct time and motion studies to assess the production capability of the factory. The actual production of the factory will be compared with its previous exports. All excessive exports not supported by documentary evidence will be subject to in-depth investigation.

Apart from auditing past shipments of a factory, C&ED officers also carry out simultaneous pre-validation checks against the factory’s current applications for production notifications / export licences.

(3) Blitz Checks

Blitz check operations are conducted by officers of C&ED at various cargo entry and exit points and public cargo working areas. This measure seeks to suppress illicit activities of textile transshipments to forestall fraudulent attempts to perpetrate origin and transshipment frauds.

Through blitz check operations, officers of C&ED also monitor the cargo flow between Hong Kong and the Mainland under the Outward Processing Arrangement, where minor or subsidiary processing for Hong Kong products outside Hong Kong is permitted. Goods leaving or re-entering Hong Kong will be physically examined and verified against the accompanying import/export documents.

Any discrepancy or indication of fraud will be subject to an investigation that may result in the seizure of the goods and prosecution.

(4) Investigation

Apart from dealing with investigations arising from the aforesaid measures, C&ED officers also conduct investigation into complaints from the general public, referrals from overseas customs including the US Customs and from other Government Departments and Government Approved Certification Organizations.