



立法會
LEGISLATIVE COUNCIL

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20 January 2011

Secretary for Commerce and Economic Development
(Attn : Mr Raymond WU)
Commerce, Industry and Tourism Branch
Level 29
One Pacific Place
88 Queensway
Hong Kong

Dear Mr WU,

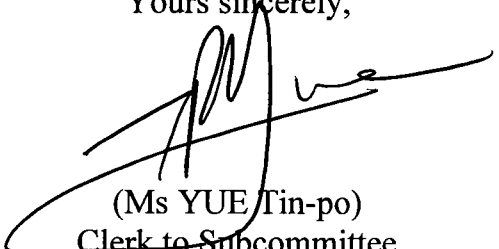
**Subcommittee to Examine the Implementation in Hong Kong of Resolutions of
the United Nations Security Council in relation to Sanctions**

----- On the instruction of Dr Hon Margaret NG, Chairman of the Subcommittee, I attach for your reference and necessary action a press report concerning the implementation of United Nations (UN) sanctions against Iran in Hong Kong. According to the press report, the UN sanctions against Iran resolved by the UN Security Council seven months ago cannot be implemented in Hong Kong despite the instructions of the Ministry of Foreign Affairs to the Chief Executive, for the reason that the HKSAR Government has not yet made the relevant regulation and introduced it into the Legislative Council.

In this connection, the Subcommittee Chairman has requested the Secretariat to write to the Administration to seek clarification on the matter. I should be grateful if the Administration would follow up and provide a written response with necessary information (in both Chinese and English with the soft copy to Ms May LEUNG at mleung@legco.gov.hk) **as soon as possible** for timely circulation to the Chairman and members of the Subcommittee. In line with our usual practice, the written information provided by the Administration will be made available to the media and the public, and uploaded to the website of this Council on the Internet, unless you advise otherwise.

With best regards,

Yours sincerely,



(Ms YUE Tin-po)
Clerk to Subcommittee

Encl.

c.c. Dr Hon Margaret NG (Subcommittee Chairman) (w/o encl.)

南華早報 | 2011-01-16

EDT1,EDT2| EDT| By Irene Jay Liu and Chan Pui-king

No law to curb HK firms that defy sanctions

Legislation still lacking to enforce bans on Iran

Despite the fact Hong Kong companies have played a key role in helping Iran's state-owned shipping line evade UN sanctions, the city's government has yet to say when it will enact legislation necessary to stop them.

Nearly seven months after the United Nations passed new sanctions against Iran - with China's support - Hong Kong has not passed laws to give city officials the power to enforce the measures.

The sanctions are aimed directly at Islamic Republic of Iran Shipping Lines (IRISL). A South China Morning Post investigation has shown that more than a dozen local companies named by the US are at the centre of an international network accused of aiding Iran's nuclear and weapons programme in defiance of the sanctions.

The sanctions require member states to freeze the assets of individuals and entities determined to have assisted in evading or violating previous UN sanctions, including named companies deemed to be owned, controlled by, or acting on behalf of IRISL.

Member states must "exercise vigilance when doing business with" Iranian companies or companies under Iran's jurisdiction, including IRISL, and with "any individuals or entities acting on their behalf or at their direction and entities owned or controlled by them, including through illicit means, if they have {hellip} reasonable grounds to believe that such business could contribute to Iran's proliferation-sensitive nuclear activities or the development of nuclear weapon delivery systems or to violations of resolutions".

The sanctions also call upon states to deny financial services, including insurance or reinsurance, if there are reasonable grounds to believe that such services could contribute to Iran's proliferation activities.

A Marine Department spokesman said if evidence was found that a Hong Kong-registered ship was in violation of UN sanctions enforced in Hong Kong, the Director of Marine had the power to de-register the ship. Anyone in violation of

the sanctions would be subject to legal action.

Hong Kong is required by law to pass legislation to carry out Beijing's instructions with regard to such sanctions. A draft of the legislation must be approved by the central government, after which the Executive Council approves it. The Legislative Council is not required to approve the bill, and may not amend it.

However, the government is not required to implement the UN sanctions quickly. In a 2008 report, a Legco subcommittee noted the "undesirable situation" of long time gaps, ranging from six months to over a year, between the receipt of the central government's instruction to implement UN sanctions and the gazetting of the laws. The report said that after the subcommittee took up this issue with the government, it gazetted such measures between one and three months more quickly.

In Iran's case, the laws regarding UN Security Council sanctions passed in December 2006 and March 2007 were gazetted in September 2008. When the UN passed additional sanctions in March 2008, the relevant law was gazetted two months later.

For the latest round, however, it is nearly seven months and counting.

A government spokeswoman acknowledged that the city had received instructions from Beijing and that the administration was currently "preparing the necessary subsidiary legislation", but declined to say when the laws would be implemented.

This is the same response the government issued in July just weeks after the Security Council vote.

In its 2008 report, the subcommittee expressed its concern about "the total absence of Legco in the regulation-making process under the UNSO", adding that "input by Legco would render the legislative process more accountable".

By contrast, many of the world's largest economies have implemented the UN sanctions and then some.

By autumn of last year, Japan, the United States, the European Union, Canada and Australia had passed laws enacting the UN resolution, and adding even stronger unilateral sanctions against Iran.

The United States and the European Union have imposed the harshest sanctions against Iran, and IRISL in particular. The US, while acknowledging that keeping up with IRISL's ever-changing network of subsidiaries and partners is a challenge, has added dozens of companies and individuals to its blacklist since June.

The EU has also imposed harsh sanctions targeting the financial and insurance services available to the beleaguered shipping line, which have disrupted IRISL's operations.

In two separate cases, European banks have sought the arrest of ships in IRISL's fleet over alleged mortgage defaults. In addition, IRISL has had difficulty maintaining adequate hull and protection-and-indemnity (P&I) insurance.

In October 2009, the UK froze business ties with IRISL, and the shipping line could no longer receive coverage from UK P&I insurers, which had covered many of the ships in IRISL's fleet. European insurers declined to cover the Iranian ships, and insurance from a Bermudan P&I provider was short-lived, after the Bermudan government imposed restrictions modelled after the UK action in January of last year. Since then, IRISL has turned to Tehran-based Moallem Insurance, sanctioned by the US in December.

Japan's unilateral sanctions, passed in September, freeze the assets of individuals and entities linked to Iran's nuclear programme, ban the provision of insurance or reinsurance services, bar Japanese financial institutions from buying bonds issued by Iran's central bank, and ban financial activity with 15 designated Iranian banks that could contribute to nuclear activities.

Toyota Motor has suspended motor vehicle exports to the country indefinitely since June.

China, Iran's largest trading partner, and Russia have opposed unilateral sanctions against Iran.

In September, South Korea temporarily closed 102 companies believed to be helping Iran's nuclear programme, including the Seoul branch of Bank Mellat, an Iranian bank that handles around 70 per cent of South Korean exports to Iran.

Trade between the two countries was valued at about US\$9.6 billion in 2009.

Bank Mellat has been sanctioned by the EU and the US, and is one of the lenders in a mortgage to IRISL for four Malta-flagged ships owned by the Hong Kong shipping companies sanctioned last week.

Additional reporting by Lana Lam

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