

For discussion
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Legislative Council Panel on Security

**Customs Enforcement Against Smuggling Using
Air Postal Packets and Express Cargoes**

Purpose

This paper aims to brief Members on the latest smuggling trend using air postal packets and express cargoes, as well as the enforcement strategy and measures adopted by the Customs and Excise Department (C&ED) for combating such illicit activities.

Background

2. Smuggling refers to the illegal movement of goods and articles into and out of Hong Kong. Common smuggling activities include bringing undeclared dutiable goods (e.g. cigarettes) into Hong Kong, as well as importation and exportation of prohibited/controlled articles (e.g. dangerous drugs, counterfeit goods, endangered species, firearms, ammunitions and weapons, etc.) without licences/certificates required by the law. These activities may involve individual travelers or syndicates and organized crimes.

3. C&ED is the primary agency responsible for the suppression of smuggling activities in Hong Kong. There is a well-established legislative framework underpinning the work of C&ED in combating different types of smuggling activities. Major enforcement powers for the customs officers are vested in the Customs and Excise Service Ordinance (Cap. 342) and the Import and Export Ordinance (IEO) (Cap. 60). Other empowering ordinances include the Dutiable Commodities Ordinance (Cap. 109), Dangerous Drugs

Ordinance (Cap. 134), Control of Chemicals Ordinance (Cap. 145), Weapons Ordinance (Cap. 217), Firearms and Ammunition Ordinance (Cap. 238), Trade Descriptions Ordinance (Cap. 362), Organized and Serious Crimes Ordinance (Cap. 455), Copyright Ordinance (Cap. 528) and Protection of Endangered Species of Animals and Plants Ordinance (Cap. 586), etc. The maximum penalty for conviction on indictment of the most serious smuggling offence is life imprisonment and an unlimited fine.

Overview of Smuggling Activities in Hong Kong

4. In the past five years, the overall smuggling situation in Hong Kong has been under effective control. However, the increasing trend of smuggling activities by air is an area of concern. There is an upsurge of 88% in the number of cases detected by C&ED from 4 141 cases in 2013 to 7 786 cases in 2017. Such increasing trend is most marked in air postal packets and express cargoes – the number of cases detected and seizure value have recorded a significant increase of 264% and 230% respectively. The cases detected from air postal packets and express cargoes also constitute a greater proportion from 12% in 2013 to 23% in 2017.

Number of cases	2013	2014	2015	2016	2017
(a) Overall smuggling ¹	23 813	25 569	23 053	21 021	21 175
(b) Air smuggling ²	4 141	5 807	6 012	6 450	7 786
(c) Cases detected from air postal packets and express cargoes (%=(c)/(b)x100%)	501 (12%)	953 (16%)	1 291 (21%)	1 420 (22%)	1 823 (23%)
<i>Seizure value</i>	<i>\$79.5M</i>	<i>\$202.4M</i>	<i>\$210.2M</i>	<i>\$190.2M</i>	<i>\$262.4M</i>

¹ Include air, land and sea smuggling cases detected from cargoes, postal packets and passengers.

² Include cases detected from cargoes, postal packets and passengers.

Challenges Posed by Growth of E-Commerce

5. With the fast development of online shopping or e-commerce, the total value of purchases made by global online consumers is projected to grow at a rate of 28% a year by 2020³. The strong growth of e-commerce has generated a much bigger demand for delivery of air postal packets and express cargoes in Hong Kong. Over the past five years, the throughput of air postal packets increased substantially by 63.1% from 41 000 tonnes in 2013 to 67 000 tonnes in 2017⁴, and that of express cargoes by 14.5% from 687 000 tonnes in 2013 to 787 000 tonnes in 2017⁵.

6. While the contributions of e-commerce to Hong Kong's economy are apparent, there are customs controls and enforcement issues associated with e-commerce development. Smugglers are using more convenient ways, and at a much lower cost, to ship illicit articles through air postal packets and express cargoes. Like other customs administrations worldwide, C&ED is facing greater challenges in striking a balance between trade facilitation and law enforcement due to the increasing volume as well as faster and smaller shipments of such packets and cargoes. As these packets and cargoes are in fact a means of indirect delivery, the law enforcement agencies have to take a longer time to identify the real senders and recipients. Key observations are set out in the ensuing paragraphs.

7. On dangerous drugs, there was a sharp increase of 39% in the number of cases (from 493 cases in 2016 to 685 cases in 2017) detected from air postal packets and express cargoes. The value of seized dangerous drugs from these cases rose from \$134.5 million in 2016 to \$182.7 million in 2017, representing an upsurge of 36%. Based on C&ED's experience, more sophisticated concealment methods have been employed in drug trafficking, such as hiding drugs in metal parts, or mixing drugs with other materials for retrieval by mechanical or chemical processes.

³ Source: Hong Kong Trade Development Council

⁴ Source: Hongkong Post

⁵ Source: Airport Authority Hong Kong

8. On endangered species, as compared with 2016, the number of cases detected from air postal packets and express cargoes increased by 58% (from 86 cases to 136 cases) in 2017, while the seizures' total weight decreased by 45% (from 705 kg to 389 kg) in 2017. This reflected that the smuggling method had been changed to smuggling small amounts by separate consignments.

9. On counterfeit goods which involve intellectual property rights, as compared with 2016, the number of cases detected from air postal packets and express cargoes increased by 31% (from 289 cases to 378 cases) in 2017. Apart from the most common counterfeit products like clothes, shoes, watches and handbags, medicines seized saw a nearly five-fold rise (from 9 469 tablets seized in 2016 to 56 410 tablets seized in 2017). Besides, the smuggling of counterfeit electronic products also posed a great threat to consumer safety. The number of seizures of mobile equipment, batteries and accessories surged more than 400% from 26 741 cases in 2016 to 133 905 cases in 2017.

10. On firearms, ammunitions and weapons, as compared with 2016, the number of cases detected from air postal packets and express cargoes decreased by 26% (from 43 cases to 32 cases) in 2017. The decline could be attributed to enhanced enforcement and effective deterrence arising from the further seizures and arrests as a result of the close liaison and smooth referral of cases between C&ED and Hong Kong Police Force. That said, it is worth noting that there were only 13 such cases in 2013, i.e. there was actually an increase of 146% over the past five years. As highlighted in the recent World Customs Organization's global counter-terrorism strategy, the main mode of illicit trafficking for small arms and light weapons would be express courier and mail services. As Hong Kong is a free port which encourages fast-moving logistics industry, C&ED will continue to play a significant gate-keeper role for Hong Kong against any arms smuggling.

Enforcement Actions

11. Against the above-mentioned challenges, C&ED has been proactive in devising pragmatic and holistic strategies to better intercept illicit articles from

being transported to and from Hong Kong. To meet the challenges arising from the exponential increase in e-commerce volume through air postal packets and express cargoes, a multi-pronged approach has been adopted by C&ED. This comprises the following measures –

- (a) Flexible deployment of manpower resources;
- (b) Customs-business partnership;
- (c) Intelligence gathering; and
- (d) Use of technology and automation.

Flexible Deployment of Manpower Resources

12. Customs officers are stationed 24 hours at all air cargo terminals and Air Mail Centre (AMC), so that C&ED can flexibly deploy manpower to step up enforcement against smuggling using air postal packets and express cargoes. Canine units are also deployed to help detect narcotics. Based on the principle of risk management and intelligence-driven enforcement tactics, focused risk profiling against smuggling of illicit articles and quality customs inspection can be achieved. C&ED is also planning to increase the number of staff and detector dogs so as to enhance safeguarding Hong Kong's postal channel against abuse for smuggling activities.

Customs-Business Partnership

13. C&ED has all along been working closely with express couriers in enforcement cooperation. In 2015, C&ED signed a Memorandum of Understanding with major express courier operators to address the ever-increasing smuggling activities. Customs officials also share with the frontline courier staff the latest smuggling trend through regular outreach programmes. With the support from the express couriers, C&ED will be able to identify suspicious cargoes more effectively and efficiently. In addition, C&ED has taken the initiative to cooperate with the Hongkong Post to step up efforts to examine high risk air postal packets at AMC and other mail processing centers. C&ED will continue to work closely with the Hongkong Post to combat drug trafficking and other smuggling activities via postal packets.

Intelligence Gathering

14. C&ED has enhanced networking with the Mainland and overseas enforcement agencies through frequent and timely intelligence exchanges and mounting of joint operations. In addition, C&ED is developing the Customs and Excise Information and Risk Management System (CEIRMS). CEIRMS is a centralized repository of investigation findings, intelligence and trader records. It will enable C&ED officers to have one point access to multiple systems to access the information and intelligence stored in various databases. Its customized tools will facilitate quick entity matching and analysis, and its automatic capturing function will provide the latest investigation findings of an entity being searched, thus making C&ED's risk profiling work more efficient. It is expected the CEIRMS will be implemented in mid-2018.

Use of Technology and Automation

15. To enhance detection capability, C&ED has spared no efforts in utilizing advance technology in customs clearance. C&ED has been keeping abreast of the technological development in x-ray scanners and trace detectors, and has endeavored to source the most updated equipment for deployment by frontline staff, including ion scanner and Raman spectroscopy for detection of narcotics and explosive, as well as other specialized equipment such as fibrescope, density meter and radiation detector.

16. E-commerce highly depends on "just-in-time" delivery. The exponential increase in e-commerce volume calls for the allocation of huge human resources to support customs clearance work. At the same time, C&ED is working towards enhancing the degree of automation in its postal clearance, so that selected air postal packets can be automatically and more quickly conveyed to the customs examination hall for x-ray scanning and further inspection if required. With the elimination of labour-intensive processes, the frontline staff of C&ED will be able to focus on risk profiling and examination of the packets selected.

Way Forward

17. With the advent of e-commerce and technology advancement, the modus operandi of smuggling activities has become more diversified. Facing up to an increasingly sophisticated landscape, C&ED has the necessary legal backing under the law and well-trained enforcement teams to combat smuggling activities. C&ED will continue to stay vigilant to step up enforcement measures and keep a close watch on the international trend of smuggling activities. Enforcement aside, on the publicity and education front, C&ED has been active in disseminating anti-smuggling messages to the public through different channels such as leaflets, press conferences and press interviews with officers, etc. C&ED also launches various initiatives to educate youngsters, e.g. the “Youth Ambassador Against Internet Piracy” Scheme. C&ED joins hands with the Education Bureau in a bid to enhance the youth’s self-discipline and civic responsibility to keep away from illicit activities. The multi-pronged approach above will also enable C&ED to proactively combat offences related to air postal packets and express cargoes at the same time facilitating cross-border e-commerce development.

Security Bureau

Customs and Excise Department

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