

**For discussion
on 2 March 2021**

Legislative Council Panel on Security

Key Work of Customs All-front Enforcement against Smuggling

Purpose

This paper briefs Members on the Government's approach to combating smuggling, the latest smuggling situation in Hong Kong and the key enforcement work of the Customs and Excise Department (C&ED) which is the primary enforcement agency against smuggling.

Government's Approach to Combating Smuggling

2. Smuggling refers generally to the illegal movement of goods and articles into and out of Hong Kong. Common smuggling activities include –

- (a) bringing or importing undeclared dutiable commodities (e.g. cigarettes) into Hong Kong; or
- (b) importing or exporting unmanifested cargo, or prohibited/controlled articles without the relevant licences/certificates as required by the law, e.g. dangerous drugs, copyright infringing goods, endangered species, firearms and ammunition.

3. Smuggling activities bring real and multi-faceted damages to society. For instance, smuggling of firearms and ammunition will directly endanger public safety and security. Smuggling and illicit supply of dangerous drugs encourage drug abuse and bring about profound public health and social costs. Counterfeit products not only undermine efforts to protect copyright, but may also fuel black markets with substandard or even hazardous goods, possibly to the detriment of the health and safety of consumers. For cigarettes, smuggling compromises government anti-

smoking policies, and results in lost government revenue which could otherwise be used to support public programmes benefiting the community. Where triad groups or crime syndicates are involved in smuggling, they benefit and use smuggling proceeds to further perpetuate criminal activities.

4. The Government puts great emphasis on stemming smuggling activities and has adopted the following approach to facilitate anti-smuggling work –

- (a) **Robust legal framework:** A number of ordinances under different policy bureaux, including the Import and Export Ordinance (Cap. 60), the Dutiable Commodities Ordinance (Cap. 109), Dangerous Drugs Ordinance (DDO) (Cap. 134), Control of Chemicals Ordinance (CCO) (Cap. 145), Firearms and Ammunition Ordinance (Cap. 238), Trade Descriptions Ordinance (Cap. 362), Copyright Ordinance (Cap. 528) and Protection of Endangered Species of Animals and Plants Ordinance (Cap. 586), etc., provide a comprehensive framework in tackling smuggling activities and, together with the Customs and Excise Service Ordinance (Cap. 342), empower C&ED's law enforcement work. The Government reviews the laws concerned from time to time to upkeep a robust legal framework. For instance, amendments were made to DDO and CCO as appropriate in the past few years to include new substances under statutory control, so to ensure that law enforcement agencies could respond effectively to emerging dangerous drugs, including countering their import or export;
- (b) **Multi-agency cooperation:** while C&ED is the primary enforcement agency against smuggling activities in Hong Kong, it also works proactively with other domestic law enforcement agencies to tackle smuggling activities on different modes, including the Hong Kong Police Force (HKPF), the Marine Department, the Food and Environmental Hygiene Department (FEHD), the Agriculture, Fisheries and Conservation Department (AFCD), etc. For example, joint surveillance and anti-smuggling sea patrols are conducted in collaboration with other enforcement agencies;

- (c) **Regional and international cooperation:** as smuggling activities are by nature cross-boundary, cooperation with other regional and international law enforcement agencies is instrumental to sharing useful information and analysis on smuggling trends and targeted enforcement, as well as exchanging intelligence and conducting joint operations against individual cases. To this end, Hong Kong, China is a member of the World Customs Organization (WCO). C&ED actively participates in WCO's enforcement programmes, including narcotics interdiction, intellectual property rights protection, combating wildlife trafficking, etc., and regularly second officers to WCO and its institutions. C&ED also maintains close collaboration with the Mainland's General Administration of Customs as well as other regional customs administrations and law enforcement agencies, through WCO's network of the Regional Intelligence Liaison Offices, the INTERPOL and agency-to-agency mutual cooperation; and
- (d) **Manpower and equipment support:** the Government is committed to tackling smuggling activities and supports C&ED and other enforcement agencies in the necessary acquisition and deployment of manpower and advanced equipment to enforce the law and respond to evolving smuggling trends.

Overview of Smuggling Situation

5. The number of smuggling cases detected by C&ED through air, land and sea channels from 2016 to 2020 is at **Annex**. There was generally an upward trend in the total number of smuggling cases from 2016 to 2019, with a surge of 48% from 21 021 cases to 31 122 cases. The value of goods and articles seized was around \$1.23 billion in 2016. It then rose to around \$1.73 billion in 2019. In terms of the means of smuggling, the development of e-commerce has rendered smuggling in postal packets and express parcels more popular in recent years.

6. In 2020, with the outbreak of the COVID-19 pandemic and the resulting restrictions on passenger passage at boundary control points and the Airport as well as more stringent quarantine and monitoring measures for cross-boundary drivers, the number of cases detected through the passenger channels dropped substantially by more than 90% (from 26 997 cases in 2019 to 2 610 cases in 2020). The number of land cargo smuggling cases in 2020 also saw a substantial drop of nearly 40%.

7. In view of smugglers' shifting to the use of air and sea cargo shipments and seeking to smuggle larger haul of goods, C&ED correspondingly strengthened its enforcement efforts against illicit air and sea cargoes, and the number of cases for these two channels and the value of goods and articles seized rose substantially. In 2020, the number of cases detected and value of goods seized for the air and sea cargo channels were 2 931 cases and \$2.93 billion respectively, compared to 2 121 cases and \$1.27 billion in 2019.

Key Targeted Items

8. Dangerous drugs are among the commonly smuggled items. Drug traffickers use circuitous routing and sophisticated concealment and camouflaged methods to avoid detection. Drug trafficking by means of air and sea cargoes saw a sharp increase in 2020, often involving postal packets and express parcels with individuals controlled by drug syndicates serving as recipients. For air cargo, a total of 962 cases with 2.51 tonnes of smuggled dangerous drugs worth \$1.37 billion were seized in 2020, representing an increase of 72% and 124% respectively as compared to the number of cases and quantity of seizure in 2019. On the maritime front, significant seizures were also made in containerised sea cargo in 2020, including remarkable cases of record high seizures of 501 kg of methamphetamine (commonly known as "Ice") worth about \$300 million concealed inside bags of cement from a transshipment sea cargo, and 217 kg of cocaine worth around \$246 million from an aircraft engine.

9. On the smuggling of cigarettes, a major drop (89%) was observed in the number of cases detected at the passenger channel (from 16 492 cases in 2019 to 1 894 cases in 2020) due to the suspension of the passenger clearance services at the majority of boundary control points. Meanwhile, cigarettes smuggling cases detected through the cargo channel saw an upsurge of 416% (from 159 in 2019 to 821 in 2020), with 189% increase in the quantity of illicit cigarettes seized (from about 35 million sticks in 2019 to about 101 million sticks in 2020). A record seizure in 20 years was made in 2020, with about 32.6 million sticks of illicit cigarettes seized in one anti-smuggling operation.

10. The smuggling of counterfeit products has remained steady. Products commonly seized include clothing, leather goods, watches, mobile phone and electronic goods accessories. In 2020, the number of cases detected decreased by 21% from 425 in 2019 to 336, but the value of goods seized rose by 20% from \$70 million in 2019 to \$84 million, which

represented the result of a series of successful enforcement actions with seizures of high value counterfeit mobile phones.

11. Smuggling of endangered species has witnessed a rising trend. Typical items seized include illegal ivory, pangolin scales, rhino horn, wood logs, American ginseng¹ and exotic pets, etc. While the number of cases detected through the passenger channel recorded a marked decrease, a 13.7% rise in the total seizure values of endangered species was registered in 2020 (from \$133 million in 2019 to \$151 million in 2020) as crime syndicates resorted to smuggle larger volume of endangered species by means of cargo shipments. Significant cases in 2020 included record seizures of 34 tonnes of American ginseng worth \$47.6 million detected in a sea smuggling case and 307 kg of totoaba bladders valued at \$49 million detected in four air shipments.

12. Illicit movement of small arms and light weapons is a priority of concern, and C&ED has stepped up enforcement, particularly in respect of firearm and their component parts. The majority of these cases were detected from postal packets and express parcels. An increase of 70% in number of firearms and ammunition cases was detected in 2020 (from 27 in 2019 to 46 in 2020), and among them, 400% increase in suspected genuine firearms and component parts (from 7 in 2019 to 35 in 2020).

C&ED's Enforcement Strategy

13. C&ED has all along been deploying a multi-pronged enforcement strategy to combat smuggling. By adopting a risk-based and intelligence-led mode of operation, C&ED aims to strike the right balance between facilitation of the passenger/cargo flow and effective enforcement.

Targeted Deployment of Resources

14. C&ED continues to deploy targeted resources to respond to the changing *modus operandi* of smuggling. Noting the trend of increase in smuggling cases involving postal packets and express parcels, C&ED has since 2018 increased the number of staff members responsible for detecting contrabands through such channels. Experienced investigators are also mobilised to form dedicated task forces for intelligence collection, in-depth analysis and enhanced enforcement operations in relation to syndicate-

¹ Manufactured parts or derivatives of American ginseng such as powders, pills, extracts, tonics, teas and confectionery, are not controlled as endangered species.

level smuggling. Under COVID-19, C&ED has flexibly redeployed officers from boundary control points to reinforce cargo clearance at different channels, particularly targeting air and sea cargoes.

15. Collaboration and joint operations have also been strengthened with other government departments, such as HKPF, FEHD and AFCD, and other regional law enforcement counterparts, to target specific smuggled items and modes of smuggling.

16. Since 2019, C&ED has upgraded its canine units to the Customs Canine Force with additional resources injected in the areas of canine breeding and professional training with a view to fostering the long term and sustainable development of the Canine Force. In 2020, C&ED launched the Customs Canine Breeding Programme with the birth of the first batch of six self-bred puppies. Apart from reinforcing the Canine Force for the detection of dangerous drugs, explosives and cash, C&ED has planned to expand the Canine Force's abilities by introducing firearms detector dog training. The ability to intercept illegal firearms and component parts will help gear up for counter-terrorism work.

Use of Advanced Technology

17. C&ED continues to deploy advanced equipment at various boundary control points to elevate customs clearance efficiency and detection capabilities. More advanced examination devices, such as Raman spectrometers, portable trace contraband detectors, density detectors, etc., have been put into use in recent years to assist in detecting smuggling. Raman spectrometers make use of laser source and measure the laser scattering of materials being analysed, hence enabling the rapid and instant identification of chemicals resembling dangerous drugs and explosives. Trace contraband detectors detect minute traces of chemicals collected from surfaces of items and provide clues of contrabands. Density detectors measure the density of surfaces and materials, enabling prompt assessment of any material irregularity or concealment of goods.

18. As part of the Smart Customs Blueprint, C&ED has procured artificial intelligence inspection devices for existing X-ray checkers at boundary control points to assist in the screening of suspicious objects. Based on deep learning algorithm on a large number of X-ray images of contrabands, the devices would be capable of automatic recognition of various contrabands in seconds. At the same time, C&ED is working to purchase computed tomography (CT) scanners which produce high resolution 3-D images of the scanned subject with more refined

information and automated contraband detection function to assist in more precise detection of smuggling.

Enhancing Intelligence Analysis

19. C&ED has since 2018 implemented the Customs and Excise Information and Risk Management System (CEIRMS) to provide a centralised repository of investigation findings, intelligence and trader records. Among other functions, CEIRMS enables C&ED officers to have one point access to multiple systems to access the information and intelligence stored in various databases. C&ED is also exploring the adoption of latest advanced technology in big data analytics to further increase C&ED's risk profiling capability.

Strengthening Customs-business Partnerships

20. C&ED maintains a strong and close working relationship with the copyright industries for which C&ED administers reward schemes to encourage the public to report on counterfeit items; as well as the logistics industry through its Customer Liaison Groups for air, land and sea cargoes, which provide effective channels for industry representatives to reflect their views, share observations and report crimes to C&ED. C&ED also signed Memoranda of Understanding in 2015 with major express courier operators, thus facilitating the exchange of information and knowledge, identification of suspicious cargoes, and cooperation against smuggling activities via the express parcel channel. Consolidating the good work and cooperation across these platforms, C&ED will continue to work closely with the industry to combat smuggling activities.

Publicity and Education

21. Apart from enforcement efforts, C&ED will continue to take an active role in disseminating anti-smuggling messages to raise the public awareness against smuggling. For example, C&ED has recently launched a new youth "Customs YES" programme which aims to encourage the local youths to fully develop their potentials, enhance their communication with C&ED, raise their awareness about the ordinances enforced by C&ED and foster their positive values and sense of belonging towards society through education-oriented activities. The Security Bureau and C&ED are also working to produce an announcement in the public interest to be broadcast shortly, with a view to reminding members of the public, especially youngsters, not to offer themselves as recipients of unknown

parcels or cargo, and thus fall prey to drug trafficking syndicates.

Security Bureau
Customs and Excise Department
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**Number of Smuggling Cases Detected by C&ED
(2016 to 2020)**

	Number of cases / (Seizure value in \$ million (M))				
	2016	2017	2018	2019	2020
Cargo Channel					
Air	1 836 (\$248M)	1 992 (\$292M)	2 112 (\$192M)	1 880 (\$593M)	2 556 (\$1,530M)
Land	927 (\$215M)	1 151 (\$444M)	1 957 (\$274M)	2 004 (\$165M)	1 233 (\$212M)
Sea	351 (\$575M)	236 (\$284M)	273 (\$325M)	241 (\$677M)	375 (\$1,404M)
Sub-total	3 114 (\$1,038M)	3 379 (\$1,020M)	4 342 (\$791M)	4 125 (\$1,435M)	4 164 (\$3,146M)
Passenger Channel					
Air	4 614 (\$158M)	5 794 (\$81M)	5 943 (\$110M)	4 653 (\$264M)	726 (\$167M)
Land	12 369 (\$26M)	11 352 (\$24M)	16 884 (\$24M)	21 672 (\$22M)	1 851 (\$2M)
Sea	924 (\$4.7M)	650 (\$0.6M)	782 (\$1.5M)	672 (\$5.1M)	33 (\$0.2M)
Sub-total	17 907 (\$189M)	17 796 (\$106M)	23 609 (\$136M)	26 997 (\$291M)	2 610 (\$169M)
Total	21 021 (\$1,227M)	21 175 (\$1,126M)	27 951 (\$927M)	31 122 (\$1,726M)	6 774 (\$3,315M)