

Hong Kong Customs annual review 2021

â€‹Hong Kong Customs and Excise Department (C&ED) today (January 30) gave a review of its work and development in 2021. With record figures counted in major enforcement areas and the illegal inflow of firearms, ammunition and strategic commodities well intercepted, the review shows remarkable enforcement efficiency and practical efforts dedicated to the safeguarding of national security. Concurrently, steady good progress was achieved in trade facilitation and the development of Smart Customs as well.

Overall situation

In 2021, a total of 8 323 cases was detected by C&ED with 5 143 people arrested, an increase of three per cent and 26 per cent respectively compared to 2020. The total seizure value increased by 73 per cent to \$6.27 billion. About 52 per cent of the cases are related to illicit cigarettes, followed by cases related to dangerous drugs and intellectual property rights protection.

Dangerous drugs

The total seizure in 2021 surged nine per cent from 2020 to 3 800 kilograms. Seizure value soared 18 per cent to \$2.476 billion, which is 4.5 times higher than that in 2018 (before the epidemic outbreak). A total of 906 drug cases was detected with 217 people arrested, down 18 per cent and up nine per cent respectively year on year.

Seven cases (four airborne and three seaborne) with seizure value at \$100 million or above each were detected. The total seizure value of these seven cases reached nearly \$1.1 billion. In the biggest case, about 260kg of cocaine with a market value of \$300 million were seized.

A total of 946.5kg of methamphetamine (commonly known as ice) was seized, an increase of 17 per cent from 2020, making it the most commonly seized drug in 2021. For cannabis, 782.7kg were seized in 141 cases, representing an increase by 93 per cent and seven per cent respectively. In 2021, five cases of cannabidiol products with tetrahydro-cannabinol (THC) traces were detected, same as the figure in 2020.

Smuggling

In 2021, 233 cases of importing or exporting unmanifested cargo under the Import and Export Ordinance were detected, an increase of 33 per cent from 2020. A total of 264 arrests was made, seven per cent fewer than in 2020. The seizure value rose year on year by 1.9-fold to \$2.345 billion, which is also 0.8 times (over \$1 billion) more than the total seizure value of 2019 and 2020. The value of goods seized from sea smuggling activities between the Mainland and Hong Kong jumped 2.8-fold to \$2.178 billion.

Four cases with seizure value at \$100 million or above each were detected and the total value of these cases reached more than \$1.68 billion. In a record-hitting case, goods worth \$1.2 billion were seized.

Overall, Mainland-Hong Kong cases accounted for around 94 per cent of the grand total. In terms of commodity value, food was the most popular seizure, recording \$563 million and accounting for 25.3 per cent of the total figure.

As for endangered species, 306 cases were detected, an increase of 11 per cent from 2020. A total of 151 people was arrested, representing a year-on-year increase of 18 per cent. Seizure weight and value jumped to more than 408 000kg and \$207 million, representing an increase of 46 per cent and 60 per cent respectively. Seaborne cargo seizures rose 76 per cent to \$129 million, while airborne seizures saw a 45 per cent increase to \$77 million.

Money laundering

A total of 12 money laundering cases was detected under the Organized and Serious Crimes Ordinance (OSCO) last year, rising 33 per cent from 2020. Thirty-one people were arrested, representing a year-on-year decrease of 18 per cent. The amount of money involved reached \$4.4 billion, which is similar to the level seen in 2020. Five cases in the \$100 million scale were detected, with \$2.5 billion involved in the top case.

In its first attempt, C&ED also laid a charge under the OSCO against a culprit suspected of engaging in money laundering activities through dealing with proceeds of about \$340 million from gold trading.

Illicit cigarettes

The number of illicit cigarette cases detected in 2021 surged 27 per cent to 4 008 from 2020. A total of 3 553 people was arrested, representing a year-on-year increase of 42 per cent. Over 427 million suspected illicit cigarettes involving excise duty of \$815 million were seized, high enough to exceed any annual seizure over the past two decades. The figure also surpasses the total seizure amount of the past some four years.

Twelve in-bound mega cases (those involving 500 000 cigarettes or above) occurred, resulting in the seizure of 185 million illicit cigarettes, more than double the figure in 2020. In the biggest case, 47 million suspected illicit cigarettes with a market value of about \$130 million were seized. This case was also the largest cigarette-smuggling case in the past two decades.

In 2021, about 8.7 million sticks of illicit heat-not-burn products were seized in 339 cases, representing an increase of 39 per cent in seizure size from 2020.

Firearms and ammunition/strategic commodities

After the National Security Law came into effect in the second half of 2020, 13 cases or 65 per cent fewer cases of illegal firearms, firearm component parts and ammunition were detected in 2021. The number of cases involving strategic commodities also decreased from 149 in 2020 to 128 in 2021.

Moreover, the first Firearm Detector Dog Team was set up to further strengthen the department's capability in combatting the smuggling of firearms and ammunition into Hong Kong for the sake of preventing terrorist activities and safeguarding national security.

Revenue collection

For revenue collection on dutiable commodities, duty collected by the department last year amounted to \$12.29 billion, slightly up 1.8 per cent from the 2020 figure. Of the total amount, \$7.77 billion was from tobacco products, \$3.8 billion was from hydrocarbon oil, and the rest came from alcoholic products. Also, 13 cases of Motor Vehicles (First Registration Tax) Ordinance violations were detected in 2021.

Intellectual property rights protection

On intellectual property rights protection, 715 infringing cases were detected and 404 arrests made, representing annual increases of 21 per cent and 36 per cent respectively. The number of infringing items seized increased by 1.7-fold to 3.15 million, while the seizure value reached around \$166 million, an increase of 51 per cent compared to 2020's figure. Major seizures included electrical and electronic goods, followed by apparel and accessories.

As for Internet infringement, 108 cases were detected. Seizures worth about \$6.53 million were made, up 85 per cent from the 2020 figure. The number of online piracy and technology crime cases detected rose 64 per cent to 23 cases.

The number of cases in which physical shops made use of Internet platforms in plying their business rose 1.6 times from 2020 to 41 cases. The seizure value was about \$4.13 million, which was an increase by 8.6 times.

The Big Data System has been running well since its operation in 2017. In 2021, the system detected 45 Internet infringing cases and the seizure value reached \$2.33 million, accounting for 36 per cent of the total seizure value of all Internet piracy cases. In 2020, 31 infringing cases were detected and the seizure value was \$1.7 million.

Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance

Enforcement of the Cross-boundary Movement of Physical Currency and Bearer Negotiable Instruments Ordinance has been smooth and effective since

its operation began on July 16, 2018. A total of 4 054 declarations involving \$326.3 billion was received. All of the 74 travellers who committed an offence ended up paying a fixed penalty of \$2,000 to discharge legal liability. Four cargo clearance cases were detected, and all of them were handled with criminal proceedings.

Money service operator supervision

In 2021, the department issued 92 money service operator (MSO) licences and renewed 298 others. During the year, the department conducted 205 checks on MSOs' compliance with customer due diligence, record-keeping obligations and other licensing requirements. Also, 24 cases of unlicensed operation were detected.

Operation Guardian

In response to the development of the COVID-19 epidemic, the C&ED launched a large-scale territory-wide special operation codenamed "Guardian" on January 27, 2020. Up to December 31, 2021, more than 7 500 officers had been mobilised to conduct more than 44 000 inspections. Investigations into 39 cases under the Trade Descriptions Ordinance (TD0) and the Consumer Goods Safety Ordinance were launched, with 90 arrests and seizures of 38.54 million surgical masks and other virus-protective products worth \$144 million.

Consumer protection

Apart from "Operation Guardian", a total of 3 615 checks and inspections for consumer protection was conducted in the year and 120 enforcement cases of violating the TD0 were handled, resulting in 72 successful prosecutions.

During the year, six staff members of two fitness centres were convicted of engaging in aggressive commercial practices in the course of selling fitness services, in contravention of the TD0. Some of the staff members were also convicted of false imprisonment, common assault and theft. The six staff members were sentenced to imprisonment of nine to 20 months and were also ordered by the court to pay compensation of about \$270,000 in total to the eight victims of the case. This was the first unfair trade practice case heard in the District Court, and the imprisonment involved was also the heaviest penalty imposed among cases of a similar nature since the TD0 was amended in July 2013.

With regard to toys and children's products safety, general consumer goods safety and short weighing, the department conducted more than 5 200 checks and inspections in 2021, with 42, 74 and 26 enforcement cases effected respectively, resulting in 27 successful prosecutions.

Trade facilitation

In December 2018, the Government launched Phase 1 of the Trade Single

Window (TSW) to provide a voluntary e-option for the trades to lodge the relevant types of documents through a single electronic platform. The C&ED has set up a dedicated office to oversee the system's operation and provide support for TSW users through training, a help desk and hotline services. Currently, the system covers 14 types of import and export trade documents for specific types of commodities.

The number of enterprises accredited as Authorized Economic Operators (AEOs) under the AEO Programme increased to 73 as of December 31, 2021. Hong Kong has signed 12 Mutual Recognition Arrangements (MRA) since the launch of the AEO Programme in April 2012 and the city was ranked fourth following Korea, the Mainland and the United States in terms of the number of MRA partners engaged.

Under the Single E-lock Scheme which started in March 2016, C&ED's Intermodal Transshipment Facilitation Scheme has been interconnected with the Speedy Customs Clearance of the Customs administrations of Guangdong Province. A total of 76 speedy cargo clearance points have now been established in Hong Kong and the Mainland to speed up the customs clearance process of cargo transshipment between the two places, making available more than 800 transshipment routes for the scheme's participants. Up to the end of 2021, the scheme had processed over 7.42 million cargo shipments.

Human resources development

In regard to recruitment, 97 Probationary Inspectors (PIs) and 158 Probationary Customs Officers (PCOs) were recruited in the year 2020-2021. In the coming year, around 90 PIs and 100 PCOs will be recruited.

To enable officers' good understanding of the department's roles and responsibilities in safeguarding national security, the National Security Law has become a part of the induction courses for the PIs, PCOs and Probationary Assistant Trade Controls Officers after it came into effect. Courses covering the Constitution, the Basic Law and the National Security Law have also been offered to the serving officers. The education firms up their sense of mission and responsibility as a member of the disciplined services in their safeguarding of the sovereignty, security and development interests of the nation. Meanwhile, arrangements were made for all new recruits and serving discipline officers to receive Chinese-style foot drill training.

On qualifications accreditation, the Passenger Processing Course and Cargo Processing Course, delivered by the Hong Kong Customs College, were successfully accredited at Qualifications Framework (QF) Level 4 after professional assessment by the Hong Kong Council for Accreditation of Academic and Vocational Qualifications (HKCAAVQ). Graduates from 2022 onwards will be awarded a professional certificate.

Also, C&ED's canine profession obtained accreditation approval from the HKCAAVQ to include the department's detector dog handling training programme in the Qualifications Register, making C&ED the first law enforcement agency in Hong Kong offering a QF-recognised programme in the profession. Up till

now, six training programme accreditations have been attained by the department.

Customs YES

C&ED introduced a new youth programme called "Customs YES" last January, with an aim of unleashing the personal potential of young people as well as letting them know more about the department's work. A youth uniform group, Customs Youth Leader Corps, was also set up under the programme to foster positive values, a law-abiding spirit and sense of belonging towards society and the country through different education-oriented activities and disciplinary training. As at the end of December 2021, the programme had recruited over 1 300 individual youth members and 31 organisation members (including schools and non-governmental organisations).

Smart Customs Blueprint

To bring it in line with Hong Kong's smart city development, the C&ED put forward the "Smart Customs Blueprint" under a four-pronged pillar concept in 2019 to strengthen its roles as "law enforcer and service provider" and "economic development promoter", while exploring its new function as "trade facilitator".

Work under each concept has been making steady progress. Smart systems and equipment, including the CT scanner, auto-detection devices for existing X-ray checkers, Platform for X-ray Image Evaluation, Vehicle Inspection and Strategic Analysis System, Air Cargo Clearance Queuing System, Smart Liquor Duty Assessment and Cargo Big Data Pilot System, have been introduced to speed up customs clearance and step up law enforcement action. Robotic assistants and online chatbot are being explored to answer enquiries at control points and the website of C&ED. Also under exploration is the Customs Crime Analytics System, which will strengthen the department's capability in the areas of intelligence, investigation and risk identification.

At the front of economic and trade facilitation, top priority has already been accorded to AEOs' applications under the Free Trade Agreement Transshipment Facilitation Scheme. With an aim to further step up cargo shipments' supply chain security and enhance customs-clearance friendliness, connection with the customs administrations of other economic entities through an electronic data exchange platform has been established. Moreover, an online self-assessment tool, namely AEO iPASS, has been introduced to facilitate self-understanding of certifying standards and initial self-assessment by those companies that are interested to join the AEO Programme.

Conclusion

While the COVID-19 epidemic outbreak has yet to come to an end, the C&ED will continue to offer full support to the Government's anti-epidemic battle. The department will also continue step up its enforcement action, safeguard

national security and facilitate the development strategies of the Belt and Road Initiative, the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area and the 14th Five-Year Plan. More clearance-friendly measures for cross-boundary passenger and cargo flows will be put in place, better integrating Hong Kong into the nation's development, under which Hong Kong, with its competitive edge, can make contributions to national development needs.