

**Ref: CIB 15/18/2 XII**

## **LEGISLATIVE COUNCIL BRIEF**

Import and Export Ordinance  
(Chapter 60)

### **IMPORT AND EXPORT (STRATEGIC COMMODITIES) REGULATIONS (AMENDMENT OF SCHEDULES 1 AND 2) ORDER 2001**

#### **INTRODUCTION**

The Director-General of Trade and Industry has made the Import and Export (Strategic Commodities) Regulations (Amendment of Schedules 1 and 2) Order 2001 (“the Order”) to amend Schedules 1 and 2 to the Import and Export (Strategic Commodities) Regulations (“the Regulations”) to reflect the changes made by four international non-proliferation regimes to their control lists of strategic commodities. The Order is at Annex.

#### **BACKGROUND AND ARGUMENT**

2. The Regulations provide for licensing controls on the import, export, transshipment, and in some cases, transit of strategic commodities which include materials, equipment and technology capable of use for both industrial and military purposes. The licensing system is administered by the Trade and Industry Department and enforced by the Customs and Excise Department.

3. Schedules 1 and 2 to the Regulations set out the items under control. They have been drawn up on the basis of the control lists adopted by the various international non-proliferation regimes and convention, i.e. the Wassenaar Arrangement (WA), Australia Group (AG), Missile Technology Control Regime (MTCR), Nuclear Suppliers Group (NSG), and Chemical Weapons Convention (CWC). To keep pace with developments in export control of strategic commodities in the international scene, the Government has kept the Schedules under constant review and, where appropriate, amended them to take account of updates made by the international regimes to their respective control lists. Schedule 1 to the Regulations was last amended in January 2000.

4. Under Section 6B of the Import and Export Ordinance, the Director-General of Trade and Industry may, by order published in the Gazette, replace the Schedules to the Regulations or amend them to add or remove an article or class of articles to or from the Schedules to the Regulations.

## **THE ORDER**

5. The Order amends Schedules 1 and 2 to the Regulations to reflect changes made by the WA, MTCR, AG and NSG to their respective control lists. The major changes are:

- (a) the WA, which governs the controls over dual-use industrial goods and conventional weapons, has revised its control list in respect of a number of items, including the relaxation of the control threshold on the performance of microprocessors (from 3,500 million theoretical operations per second (Mtops) to 6,500 Mtops) and of computers (from 6,500 Mtops to 28,000 Mtops). Retail encryption products satisfying certain conditions are also released from control;
- (b) the MTCR, which focuses on controls on transfer of missile technology and equipment, has revised among others, the control on purity content of certain metallic elements in metal fuels;
- (c) the AG, which maintains controls over chemical and biological weapons agents, precursors and production equipment and technology, has relaxed the control on botulinum toxins for products formulated for human administration; and
- (d) the NSG, which governs controls over nuclear weapons and nuclear related dual use materials, equipment and technology, has added to its control list production plants for the conversion of plutonium.

## **PUBLIC CONSULTATION**

6. The amendments made by the Order are technical in nature. It is considered that public consultation is not necessary. The Trade and Industry Department will inform traders of the details of the amended Schedules through circulars and general enquiry service.

## **FINANCIAL AND STAFFING IMPLICATIONS**

7. The additional workload arising from the Order is insignificant and will be absorbed within the existing resources of the Trade and Industry Department and the Customs and Excise Department.

## **ECONOMIC IMPLICATIONS**

8. The Order will facilitate the trade by removing outdated restrictions on trade in strategic commodities. In particular, many traders will be relieved of the burden of taking out import and export licences for a variety of commonly used microprocessors, computers and software with encryption features.

## **LEGISLATIVE TIMETABLE**

9. The Order will be tabled at the Legislative Council on 13 June 2001.

## **PUBLICITY**

10. The Order will be published in the Gazette on 8 June 2001 and a press release will be issued on the same date. A spokesman will be available for answering media enquiries.

## **ENQUIRIES**

11. For any enquiries on this brief, please contact Miss Doris Chan, Principal Trade Officer of the Trade and Industry Department, at 2398 5554.

Commerce and Industry Bureau  
8 June 2001