

China

Although there were no acts of terrorism committed in China in 2005, Chinese citizens were victims of terrorist acts in Afghanistan, Pakistan, Iraq, Thailand, and Jordan.

The United States and China held regular counterterrorism consultations; the most recent talks were in November. The Ministry of Foreign Affairs described U.S.-Chinese cooperation on counterterrorism as a key partnership promoting international stability and as a pillar of the bilateral relationship. In January, China signed a memorandum of understanding with the Department of Energy to participate in the Megaports initiative on the detection of nuclear and radiological materials. After signing the Container Security Initiative in 2003, the Chinese Government launched CSI programs in the ports of Shanghai and Shenzhen this year. The program still faces challenges, but inspections have begun at the two ports.

Chinese officials signed statements with counterterrorism components in regional fora such as the Association of Southeast Asian Nations (ASEAN) Regional Forum (ARF), ASEAN plus 3, the Asia Pacific Economic Cooperation organization (APEC), and the Shanghai Cooperation Organization (SCO).

China agreed to participate in APEC inspections of civilian airports to assess vulnerabilities, although it continues to raise objections to Taiwan's participation in the initiative. China has expressed concern, however, that APEC not expand beyond what Beijing considers to be the forum's primary mandate of economic issues and trade liberalization. China's objections to Taiwan's participation have impeded broader cooperation on APEC counterterrorism and nonproliferation initiatives. China hosted an ARF Security Policy Conference and an ARF Seminar, where participants addressed non-traditional security threats, including counterterrorism issues. As a founding member of the Shanghai Cooperation Organization (SCO), China played an instrumental role in getting the SCO to issue a Joint Statement on increasing regional cooperation to fight terrorism, extremism, and separatism.

Although the Ministry of Public Security is responsible for criminal investigations, the People's Bank of China (PBOC) was designated the lead agency for all anti-money laundering activities in China. China has taken steps to strengthen regulatory measures to combat money laundering, and is finalizing money laundering legislation designed to broaden the scope of existing anti-money laundering regulations and to establish more firmly the PBOC's authority over national anti-money laundering operations. Under the authority of the PBOC, China established a Financial Intelligence Unit (FIU) in 2004 to track suspicious transactions and is working closely with FINCEN in the United States to develop its capabilities. Additional measures are needed to ensure that China's FIU is an independent, centralized body with adequate collection, analysis, and disseminating authority, including the ability to share information with FIUs in other jurisdictions. The State Administration of Foreign Exchange (SAFE), an organization also under the authority of the PBOC, is the primary agency for countering illicit foreign exchange transactions.

Joining the Financial Action Task Force (FATF) remains an important priority for China. After joining the Eurasia FATF-style regional group (EAG) in late 2004, China was granted FATF observer status in 2005. China's money laundering legislation, when completed, will go a long way toward satisfying FATF's criteria for membership. However, China's refusal to recognize the Egmont Group, an umbrella body coordinating the activities of over 100 FIUs worldwide, because the Group includes an FIU from Taiwan, remains a substantial obstacle to joining FATF.

In December 2003, the Chinese Ministry of Public Security published a list of organizations and individuals that it claims have ties to terrorism. One of the groups, the East Turkistan Islamic Movement (ETIM), was designated as an al-Qaida-affiliated terrorist organization under UNSCR 1267; the United States also designated the group under Executive Order 13224. At a UNSC meeting in 2005, China's Permanent Representative to the United Nations called on UN members to adopt measures to crack down on "East Turkistan" terrorist forces.

There were several reports during the year of bombings and bomb threats in various parts of China. It is unclear, however, whether these were politically motivated acts of terrorism or criminal attacks. Although they did not publicly attribute any 2005 incident to terrorism, Chinese authorities asserted that terrorists, primarily based in Xinjiang Province, continued to operate clandestinely on Chinese territory. The Chinese Government attempted to restrict foreign support for insurgent groups and increased the number of deployed security personnel in response to perceived terrorist activities in Xinjiang.

Formally established in 2004, the FBI Legal Attaché Office in Beijing bolstered U.S.-Chinese cooperation on counterterrorism investigations. Chinese law enforcement responsiveness to terrorism investigation requests still needs improvement, but substantive intelligence has been obtained in some cases. Chinese authorities actively participated in the investigation of the 2003 "Portland Six" case, providing hotel records and other information that proved instrumental in obtaining guilty pleas from the defendants in the case. The United States does not have an extradition treaty with China.

China sent several officers to Greece for counterterrorism and Olympic security training; it also sent police chiefs to observe the 25th ASEAN Chief of National Police (APOL) Conference in Indonesia. China continued to participate in training programs at the International Law Enforcement Academy in Bangkok, Thailand. In 2005, China staged antiterror exercises in major cities throughout the country and implemented new antiterrorism training programs at several major police academies.

Hong Kong

Hong Kong's implementation of the Container Security Initiative was transparent and cooperative. The high level of cooperation and the successful implementation of CSI by Hong Kong Customs officials received praise from a congressional staff delegation, which described it as a model for CSI implementation.

Hong Kong's Joint Financial Intelligence Unit (JFIU), operated by the Hong Kong Police and the Customs and Excise Department, is a member of the Egmont Group (a prominent body of FIUs that fosters international cooperation) and continued to process reports on suspicious financial transactions. Hong Kong law enforcement agencies provided full support and cooperation to their overseas counterparts in tracing financial transactions suspected of being linked to terrorist activities. Hong Kong actively participated in various anti-money laundering and counterterrorist financing initiatives in 2005, including the Financial Action Task Force on Money Laundering (FATF) and the Asia/Pacific Group on Money Laundering.

As the primary reviewer of Indonesia's anti-money laundering and counterterrorism finance regime within the Financial Action Task Force on Money Laundering within the Asia Pacific/Group on Money Laundering, Hong Kong took the lead in co-coordinating the review group's on-site visit to Indonesia in January to examine its anti-money laundering and terrorist financing regime. Hong Kong also participated in the FATF's mutual evaluation of Ireland in June.

To further promote international and regional understanding and cooperation on anti-money laundering and terrorist financing issues, Hong Kong hosted the International Conference on Combating Money Laundering in February 2005, as well as several international anti-money laundering and terrorist financing seminars and workshops. These forums provided a good opportunity for representatives from government and other sectors to review progress and to share experience in tackling money laundering and terrorist financing challenges.

Macau

In October, Macau submitted to its Legislative Assembly a new counterterrorism bill aimed at strengthening counterterrorist financing measures. The bill, drafted to implement the provisions of UNSCR 1373, would make it illegal to conceal or handle finances on behalf of terrorist organizations. Individuals would be liable even if they were not members of designated terrorist organizations themselves. The legislation would also allow prosecution of persons who commit terrorist acts outside of Macau and mandate stiffer penalties.

The government also submitted a money laundering bill to the Legislative Assembly that, if passed and enforced, would strengthen its oversight. Macau's financial system is governed by the 1993 Financial System Act and amendments, which lay out regulations to prevent use of the banking system for money laundering. The new bill imposes requirements for the mandatory identification and registration of financial institution shareholders, customer identification, and external audits that include reviews of compliance with anti-money laundering statutes.

Financial regulatory authorities continued to direct financial institutions to conduct searches for terrorist assets using U.S. and UN lists. Bank examiners reviewed customer profiles, large cash transaction records, and suspicious bank reports. They also interviewed frontline staff, senior management, and money laundering compliance officers.