



The Belt and Road Initiative (BRI) and its associated potential criminal risks

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Abstract

The Belt and Road Initiative (The Silk Road Economic Belt and the 21st-century Maritime Silk Road) is of great importance in the exchange of information, ideas, and technology among countries, as it benefits a sustained economy and innovation, and enhances China's open economy as well. However, there also are risks associated with this venture, including cross-border criminal activities, such as money laundering and terrorist financing. This article explores the challenges the BRI faces and the necessity to combat those risks. It suggests further that particular attention needs to be paid to these issues to allow us to understand the related challenges in advance to be able to implement effective methods to reduce and/or prevent these risks from emerging.

Key words: Belt and Road Initiative (BRI), Risks, Challenges, Criminal Activities, Money Laundering, Challenges, Prospects

1. Introduction

Chinese President Xi Jinping proposed the concept of “One Belt and One Road” in Kazakhstan and Indonesia in September and October 2013, respectively. Speaking at the Nazarbayev University in Kazakhstan, President Xi said that for the Eurasian countries to develop closer economic ties, deepen mutual cooperation, and broaden opportunities for development, innovative cooperation models should be created to build a “Silk Road Economic Belt” jointly.¹ In a speech to Indonesia's parliament a month later, President Xi pointed out that Southeast Asia has been a vital hub of the Maritime Silk Road since ancient times, and China is willing to strengthen its maritime cooperation with ASEAN countries² and make good use of the ASEAN-China Cooperation Fund for Maritime Cooperation to develop a great marine partnership to build a 21st Century Maritime Silk Road.³

The Belt and Road Initiative (BRI) is of great strategic importance in China's efforts to improve its open economy comprehensively. However, to explore the current situation and challenges of this cooperation, including the potential risks associated with criminal activities, is of great practical importance to ensure the realisation of the BRI's strategic interests. This article is designed to provide a brief description of the BRI with a discussion about the potential accompanying risks, such as money laundering, and the challenges they may pose in regulation. There follows a discussion of prospects and recommendations.

¹ CCTV news, 'Xi Jinping's Strategic Proposal: "Belt and Road" Opens "Dream Building Space"' (2014) < <http://news.cntv.cn/2014/08/11/ARTI1407712956367443.shtml> > accessed 30 January 2018

² The ASEAN-China Free Trade Area (ACFTA) is a free trade area among the ten member states of the Association of Southeast Asian Nations (ASEAN) and the People's Republic of China. It had the third largest trade volume after the European Economic Area and the North American Free Trade Area. See, Liz Gooch, 'Asia Free-Trade Zone Raises Hopes, and Some Fears About China' (2009) < <http://www.nytimes.com/2010/01/01/business/global/01trade.html> > accessed 30 January 2018

³ China news, 'President Xi Jinping delivered a speech in the Indonesian parliament' (2013) < <http://www.chinanews.com/gn/2013/10-03/5344133.shtml> > accessed 30 January 2018

2. The Belt and Road Initiative (BRI)

The BRI, also known as the Silk Road Economic Belt and the 21st-century Maritime Silk Road, is a development strategy the Chinese Government has proposed that focuses on cooperation and connectivity among Eurasian countries, primarily the People's Republic of China (PRC). The New Silk Road covers primarily Asia and Europe, and includes more than 60 nations.⁴ (Figure 1):



Source: Xinhua News Agency

This program includes the establishment of a new economic corridor to promote investment, trade, technological innovations, and popular movements. At the same time, it also will explore ways to promote and protect the cultural heritage along the route.⁵ Further, China-based multilateral organisations also are involved in funding this initiative, including the Beijing-based Asian Infrastructure Investment Bank (AIIB), and the Shanghai-based New Development Bank (NDB), with capital bases of \$100 billion and \$50 billion, respectively.⁶

The BRI is a globalised socioeconomic development strategy. According to the Chinese government's March 2015 charter, it "...aims to promote the connectivity of Asian, European, and African continents and their adjacent seas," particularly through vast infrastructure projects and broad deregulatory policies.⁷ It is a major strategic decision the Chinese government made to take the initiative to adapt to the profound changes in the world economic landscape and to make comprehensive plans for both domestic and foreign situations. As such, it is an important part of China's proposal to create a "community of common destiny" to achieve common development and prosperity. Its measures also are a profound manifestation of China's role as a responsible major

⁴ Usman Chohan, 'What Is One Belt One Road? A Surplus Recycling Mechanism Approach' (2017) Social Science Research Networks < <http://dx.doi.org/10.2139/ssrn.2997650> > accessed 30 January 2018

⁵ Oxford University, 'One Belt One Road Summit - A Challenge for International Coordination and Cooperation' (2017), Presented by the Oxford OBOR Programme, Faculty of Law, Oxford University < https://www.law.ox.ac.uk/sites/files/oxlaw/ox_obor_sm_prog.pdf > accessed 30 January 2018

⁶ Mike Callaghan and Paul Hubbard, 'The Asian Infrastructure Investment Bank: Multilateralism on the Silk Road' (2015) Vol.9 Issue 2, China Economic Journal 116

⁷ Philip Dubow, 'Is China's Belt and Road Initiative Increasing Crime and Terrorism?' (2017) < <https://thediplomat.com/2017/11/is-chinas-belt-and-road-initiative-increasing-crime-and-terrorism/> > accessed 30 January 2018

power in building a new type of international relations with the goal of mutually advantageous cooperation.⁸

The BRI is believed to be motivated by concerns about the slowing domestic growth in China and a desire to enhance its global influence, with the potential to address the global infrastructure gap by helping developing countries grow while increasing trade and investor returns.⁹ It also has been noted that the BRI will benefit the ASEAN member countries greatly, especially in infrastructure development.¹⁰ Participating countries will acquire greater access to China and other connected markets along the route, and smaller landlocked countries, in particular, will benefit from inclusive growth. However, not all aspects of the BRI are beneficial.

3. Potential Risks related to the BRI

Both China and the other countries in the initiative will realize enormous economic benefits from the BRI, but it also poses potential risks. Although the BRI will provide many new economic and development opportunities, it has been argued that it may present significant security challenges to this region because the countries lack adequate safeguards to prevent cross-border criminal activities.¹¹ The formation of China's BRI, while promoting the economic development of all countries along the Belt and Road, also may create conditions conducive to these activities, such as money laundering, and undermine the normal trade and economic ties between China and other countries with respect to healthy economic development.

There is a legitimate global economy, but there also is an illegal global economy; the first is capitalist, the second is criminal.¹² Globalisation refers to the increase in cross-border trade and international capital flows of goods and services.¹³ The emergence of globalisation has accelerated the free flow and rational configuration of production factors that transcend or eliminate national barriers.¹⁴ However, free movement across borders creates security threats, including international criminal activities, particularly under the influence of globalisation.¹⁵ Growth in cross-border policing is the inevitable and natural result of the rise in cross-border crime, which has grown together with globalisation.¹⁶ Globalisation confers many benefits, and criminals take advantage of the convenience that globalisation provides¹⁷ because they are adept at exploiting the same opportunities that legitimate businesses do. However, criminals may do this more efficiently because they are not worried about breaking laws.

According to HDR:

⁸ Ruijin Zhang and others, 'Strategic Thoughts on China's Water Diplomacy in the Background of the Belt and Road Initiative' (2017) Vol.2 No.6, *Journal of Boundary and Ocean Studies* 14

⁹ Financial Times, 'China encircles the world with One Belt, One Road strategy' (2017) < <https://www.ft.com/content/0714074a-0334-11e7-aa5b-6bb07f5c8e12> > accessed 30 January 2018

¹⁰ Vannarith Chheang, 'Cambodia Embraces China's Belt and Road Initiative' (2017) Issue 2017 No.48, ISEAS Yusof Ishak Institute < <http://hdl.handle.net/11540/7213> > accessed 30 January 2018

¹¹ Danny Lee, 'United Nations highlights "One Belt, One Road" crime risks' (2017) < <https://www.ft.com/content/0714074a-0334-11e7-aa5b-6bb07f5c8e12> > accessed 30 January 2018

¹² Reg Whitaker, 'The Dark Side of Life: Globalisation and International Organized Crime' (2009) Vol.38, *Socialist Register* 131

¹³ Shangquan Gao, 'Economic Globalization: Trends, Risks and Risk Prevention' (2000) CDP Background Paper No. 1, *Economics & Social Affairs* < http://www.un.org/en/development/desa/policy/cdp/cdp_background_papers/bp2000_1.pdf > accessed 30 January 2018

¹⁴ International Monetary Fund (IMF), 'Globalization: A Brief Overview' < <https://www.imf.org/external/np/exr/ib/2008/053008.htm> > accessed 01 October 2016

¹⁵ Olakunle Michael and Folami Rachel Joan Naylor, 'Police and cross-border crime in an era of globalisation: The case of the Benin–Nigeria border' (2017) Vol.30 Issue 3, *Security Journal* 859

¹⁶ Bruce Arrigo and Heather Bersot, *The Routledge Handbook of International Crime and Justice Studies* (Routledge, 2013) 100, ISBN: 9781136868504

¹⁷ Usman Ahmad Karofi and Jason Mwanza, 'Globalisation and Crime' (2006) Vol.3 No.1, *Bangladesh e-Journal of Sociology* < <http://www.bangladeshsociology.org/BEJS%203.1%20%20Karofi.pdf> > accessed 03 October 2016

“Crime syndicates prefer globalisation, for it creates new and exciting opportunities, and among the most enterprising and imaginists are the world’s criminals.”¹⁸

For example, the route to the Russian Federation takes advantage of the cross-border social and ethnic affiliation of new countries in Central Asia to move small amounts of heroin in commercial and private vehicles. With respect to heroin trafficking, although the majority of it is consumed in Europe, approximately 90% of the global heroin supply comes from opium poppies cultivated in Afghanistan.¹⁹

Further, the financial strength of the member countries of the China-ASEAN Free Trade Area largely is weak, the system is still not perfect, and the standards and instructions for the declaration of cash transactions are lax. Criminals are likely to exploit all these factors to conduct money laundering activities. With the increase in trade exchanges, some non-standard financial institutions also may be derived from the free trade area established by the BRI. These agencies are less subject to Anti-Money Laundering (AML) provisions and money laundering criminals can exploit them easily. For example, on the China-Vietnam border, there are some non-governmental private stalls that specialise in the Renminbi and Vietnamese Dong exchange business. They operate on a small-scale, but are developing rapidly, and the transactions are simple. They are a legal financial institution in Vietnam that is managed by the Vietnamese central government, but are illegal in China.²⁰ Thus, it is difficult for regulatory agencies to monitor and control their activities. Further, large amounts of cash are involved in border trade settlements, which poses a greater risk of money laundering.

However, according to the United Nations Office on Drugs and Crime (UNODC), countries are committed to the trade and integration agenda, but lack the enforcement agenda to tackle cross-border criminal activities.²¹ Therefore, the UNODC Executive Director pointed out that, “Stopping this transnational threat represents one of the international community’s greatest global challenges.”²²

4. Regulatory Challenges of Criminal Activities

Many developing countries will benefit greatly from this initiative, but there also are risks in such markets, including foreign exchange fluctuations, price instability, legal and regulatory issues, and the criminal issues mentioned above. Therefore, it is crucial for law enforcement agencies to cooperate, including in inter-jurisdictional policymaking. However, legal differences, lack of trust and cooperative leadership, and knowledge about the other jurisdictions can impede inter-jurisdictional policing.²³

The levels of economic development of countries along the B&R are uneven; they have different national conditions, and their development strategies have different needs. Therefore, it is difficult to implement AML effectively. Although more than 60 countries along the B&R have responded positively to the initiative, the number of countries involved is huge, and thus, there are many associated problems. For example, some countries are economically undeveloped and some

¹⁸ United Nations Development Programme (UNDP), ‘Human Development Report’ (1999) Oxford University Press 41, ISBN: 0195215621

¹⁹ United Nations Office on Drugs and Crime (UNODC), ‘The Globalisation of Crime - A Transnational Organised Crime Threat Assessment’ (2010) v < http://www.unodc.org/res/cld/bibliography/the-globalization-of-crime-a-transnational-organized-crime-threat-assessment.html/TOCTA_Report_2010_low_res.pdf > accessed 30 January 2018

²⁰ Bin Li and others, ‘Policy Research on Money Laundering Risk Control based on Cross-border Capital Flowing’ (2013) No.4, Journal of Regional Financial Research 4

²¹ United Nations Office on Drugs and Crime (UNODC), ‘The global crime threat - we must stop it’ (2009) 18th Session of the Commission on Crime Prevention and Criminal Justice < <https://www.unodc.org/unodc/en/about-unodc/speeches/2009-16-04.html> > accessed 30 January 2018

²² United Nations Office on Drugs and Crime (UNODC), ‘New UNODC awareness campaign highlights transnational organized crime as an US\$ 870 billion a year business’ (2010) < <https://www.unodc.org/unodc/en/press/releases/2012/June/new-unodc-awareness-campaign-highlights-transnational-organized-crime-as-an-us-870-billion-a-year-business.html> > accessed 30 January 2018

²³ Saskia Hufnagel, ‘Regulation of cross-border law enforcement: “locks” and “dams” to regional and international flows of policing’ (2016) Vol.18 Issue 3, Global Crime 218

have prominent non-traditional security issues, such as terrorism. For example, 40 of the countries along the B&R are in a state of peace, 15 are in a state of danger, and 11 are in turmoil. Five countries—Iraq, Afghanistan, Pakistan, India and Syria—are in a high-risk red zone.²⁴ In addition, the cultural pluralism in the countries along the B&R is significantly great.²⁵

Secondly, countries along the B&R have quite different regulatory AML models. In general, the regional financial regulatory cooperation among these countries, including Central Asia, South-Central Asia, and Southeast Asian countries, is still in its infancy. Except for those countries that have enacted AML, such as Singapore, Thailand, and Malaysia, the financial regulatory systems among the ASEAN countries are still in a transitional stage. This includes the situation in which no serious measures have been taken to implement AML. Although the majority of member countries are opposed to money laundering, a few member states still have no restrictions on the funds that they know have existing problems and even allow these suspicious funds to move in and out of their countries freely to safeguard their own economic interests. As the most influential AML international organisation, the Financial Action Task Force (FATF)²⁶ publishes a list of non-cooperative countries and regions regularly. For example, ASEAN member country Indonesia was reported to be uncooperative in the fight against money laundering in the lists published in June 2001, June 2013, October 2013, and February and June 2014.²⁷

Thirdly, there are significant difficulties in regulating cyberterrorism and cyberlaundering. Cyberterrorism is a product of the interactive evolution of the trends in cyberspace and the world economy, and the development of international terrorism. Cyberterrorism is both a real threat to the countries along the B&R, and a potential risk that needs to be resolved cooperatively.²⁸ The internet's openness, transnationality, and global reach have led to high-tech, international, and concealed features of money laundering in cross-border networks. As a result, hidden forms of money laundering in these networks can occur more rapidly, making them more difficult to trace. In addition, cross-border network investigation techniques and criminal jurisdiction provisions differ, so money launderers often use cross-border money laundering because of the regulatory vacuum in many countries. Many terrorist organisations inside and outside of China use cybercrime to advertise their extreme ideas, recruit personnel, plan terrorist attacks, and engage in laundering the proceeds of their criminal activities, thereby increasing the difficulty of detection and interdiction.

5. The Difficulties in Anti-Money Laundering (AML) in B&R Countries

The BRI must be conducted in a sustainable manner.²⁹ To ensure this, it is important to combat potential criminal activities that may cause problems, one of which is money laundering. However, because of the differences in national political, economic, and legal systems, development levels and social structures, this area faces an enormous dilemma in AML.

²⁴ Minyan Zhao and others, 'Assessment of Countries' Security Situation along the Belt and Road and Countermeasures' (2016) Vol.31 No.6, Bulletin of Chinese Academy of Sciences 689

²⁵ Justina Yung, 'Meeting the cultural diversity challenges of China's "One Belt, One Road" plan' (2016) < <http://www.scmp.com/business/article/2038657/meeting-cultural-diversity-challenges-chinas-one-belt-one-road-plan> > accessed 31 January 2018

²⁶ The FATF is an inter-governmental body established in 1989 to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. See, The Financial Action Task Force (FATF), 'Who we are' < <http://www.fatf-gafi.org/about/> > accessed 01 February 2018

²⁷ Financial Action Task Forces (FATF), 'About the Non-Cooperative Countries and Territories (NCCT) Initiative' < [http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/more/aboutthenon-cooperativecountriesandterritoriesncctinitiative.html?hf=10&b=0&s=desc\(fatf_releasedate\)](http://www.fatf-gafi.org/publications/high-riskandnon-cooperativejurisdictions/more/aboutthenon-cooperativecountriesandterritoriesncctinitiative.html?hf=10&b=0&s=desc(fatf_releasedate)) > accessed 01 February 2018

²⁸ Xiaofeng Wang, 'Cyberterrorism and Belt and Road Network Security Cooperation' (2016) No.4, Global Review 116

²⁹ Foreign & Commonwealth Office, 'UK-China legal cooperation along the Belt and Road' (2016) < <https://www.gov.uk/government/speeches/uk-china-legal-cooperation-along-the-belt-and-road> > accessed 06 February 2018

5.1 Conflicts between AML and Bank Secrecy

Bank secrecy is a concept accepted widely in the international community, the purpose of which is “to respect and to protect the confidence of the customer.”³⁰ For financial institutions, bank secrecy is both an obligation and a right.³¹ Banks cannot disclose customer information during the transaction and they can resist third-party inquiries and investigations on the grounds of maintaining their customers’ confidentiality. The obligation of bank secrecy gives clients the right to protect their own information from being revealed unlawfully. However, although bank secrecy obligations exist for the protection of legitimate, rather than illegal interests, they promote money laundering to a certain extent as well, and become an important weapon for money launderers. Thus, the stronger a bank’s secrecy policy, the more rampant the money laundering activities.

Take the Philippines, for example, where customer information protection occupies a very important position in the operations of financial institutions, especially microfinance institutions.³² The combination of the Philippines’ AML law and the financial industry’s obligation to protect customer information have led law enforcement agencies to have a series of conflicts related to bank secrecy. For example, in 2014, when the AML authorities investigated the Philippines vice presidential accounts on suspicion of money laundering, it accused its law firm of violating privacy and normal legal procedures and required the Supreme Court to prevent the AML authorities from checking the accounts without notifying the parties.³³

5.2 Insufficient Domestic Financial and Human Resources

The budget approved by the Philippines’ Anti-Money Laundering Council (AMLC) in 2013 was only approximately 185 million Philippine pesos,³⁴ which was less than 5 million U.S. dollars with the exchange rate at the beginning of 2013. Nearly 90% of this budget was for staff salaries and the approximately 500,000 dollars that remained were spent on maintenance, intelligence gathering, confidentiality, investigations, and other operating expenses.³⁵ As of 31 December 2013, only 104 Philippine AMLC secretariats who were responsible for helping the Council fulfil its mission and undertake AML operations actually filled those positions.³⁶ The tight financial and human resources constraints on AML in the Philippines have led directly to the lack of adequate resources the AML commission needs to analyse financial intelligence, and have affected the successful implementation of domestic law enforcement policies and cooperation with foreign financial intelligence agencies

5.3 Difficulties in Investigating and Collecting Evidence

Money laundering regulatory agencies require other law enforcement agencies to share information to conduct follow-up investigations into the criminal activities of money laundering.³⁷ However, these largely investigate money laundering in other criminal activities, not money laundering itself. Under current laws and regulations, other law enforcement agencies will transfer the case to the AML Committee for investigation only after the criminals have been prosecuted. However, by that

³⁰ Paul Latimer, ‘Bank Secrecy in Australia: Terrorism Legislation as the New Exception to the Tournier Rule’ (2004) Vol.8 No.1, *Journal of Money Laundering Control* 56

³¹ Paolo S. Grassi and Daniele Calvarese, ‘The Duty of Confidentiality of Banks in Switzerland: Where it Stands and Where it Goes’ (1995) Vol.7, *Pace International Law Review* 329

³² Raymund B. Habaradas and Mar Andriel Umali, ‘The Microfinance Industry in the Philippines: Striving for Financial Inclusion in the Midst of Growth’ (2013) Center for Business Research and Development Working Paper < <https://www.dlsu.edu.ph/research/centers/cberd/pdf/microfinance-in-the-philippines-habaradas-umali-final-2013.pdf> > accessed 06 February 2018

³³ Xinyuan Wang, Tao Shen and Zhuoxin Liu, ‘A Study of Anti-Money Laundering in Philippines’ (2016) No.2, *Journal of Regional Financial Research* 44

³⁴ Philippine Anti-Money Laundering Council (AMLC), ‘Annual Report’ (2013) 14 < <http://www.amlc.gov.ph/images/PDFs/archive/2013AR.pdf> > accessed 07 February 2018

³⁵ *ibid*

³⁶ *ibid* 10

³⁷ International Monetary Fund (IMF), *Annual Report 2002* (International Monetary Fund, 2003) 36, ISBN: 9787504930323

time, the offenders' illegal assets often have been hidden or spent, and are difficult or impossible to recover.

For example, in the Philippines, financial crimes can be investigated only when other law enforcement and investigation agencies discover them. These agencies include primarily the Philippine Drug Enforcement Agency (PDEA),³⁸ which investigates drug-related criminal activities, the Office of the Ombudsman,³⁹ which investigates cases of looting and corruption, the Securities and Exchange Commission,⁴⁰ which investigates violations of the securities regulatory law, and the Bureau of Customs,⁴¹ which investigates smuggling activities. Therefore, if these law enforcement agencies did not discover the crimes, including money laundering, AML agencies also cannot investigate these upstream crimes.

6. Prospects and Conclusions

An effective AML legal mechanism is the basis for international cooperation in free trade such as that in the BRI. However, the countries along the B&R have not yet established a unified judicial assistance mechanism to counter money laundering. The imperfection and objective differences in the legal systems in these countries undoubtedly constitute an invisible "safe passage" for money laundering criminals. However, from another point of view, it is also the disparity between the strengths and weaknesses in financial and legal systems among member states that highlights the dual positive and negative aspects of the initiative that may lead to the rapid development of financial and AML cooperation in the region. This may be achieved in the following ways:

6.1 Strengthen the Mechanism of AML Multi-Sectoral Coordination

Money laundering is cross-industry, cross-sectoral, and concealed.⁴² Therefore, it is better to enhance the top-level design of AML and promote the construction of a multi-departmental and multi-agency coordination mechanism. On the one hand, to enhance the efficiency of AML work in society as a whole, it is better to expand the scope of the main body of responsibility further based on the existing legal bodies for AML, such as financial and payment institutions, clarify the responsibilities of various agencies in AML, and promote synergies. On the other hand, it is necessary to increase the support of means to verify clients' identities, increase the supporting resources to identify suspicious transactions, such as expanding tax revenue, entry and exit of foreigners, information on import and export prices, and other information resources to enhance customer identification processes and the efficiency of suspicious transaction analysis.

6.2 Expand the Scope of Application of the AML Evaluation Results

Banking institutions' ability to control risks and the effect of their AML compliance also can reflect the effectiveness of compliance operations and internal control measures. At present, China's banking supervision and AML supervision belong to the China Banking Regulatory Commission (CBRC)⁴³ and the People's Bank of China (PBC).⁴⁴ It would be better for these two departments to establish and improve a mechanism by which they can share regulatory information results.

³⁸ Philippine Drug Enforcement Agency (PDEA) < <http://pdea.gov.ph> > accessed 10 February 2018

³⁹ Office of the Ombudsman < <https://www.ombudsman.gov.ph> > accessed 10 February 2018

⁴⁰ Securities and Exchange Commission < <http://www.sec.gov.ph> > accessed 10 February 2018

⁴¹ Bureau of Customs < <https://www.dof.gov.ph/index.php/directory/bureau-of-customs/> > accessed 10 February 2018

⁴² Kenneth Beale and Melissa Kelley, 'Cross-border overview: money laundering compliance and investigations across EMEA' (2016) < <https://globalinvestigationsreview.com/insight/the-european-middle-eastern-and-african-investigations-review-2016/1035873/cross-border-overview-money-laundering-compliance-and-investigations-across-emea> > accessed 10 February 2018

⁴³ China Banking Regulatory Commission (CBRC) < <http://www.cbrc.gov.cn/english/index.html> > accessed 10 February 2018

⁴⁴ People's Bank of China (PBC) < <http://www.pbc.gov.cn/english/130712/index.html> > accessed 10 February 2018

For example, in comprehensive assessments of the supervised financial institutions' ability to control risks overall, the CBRC can make full reference to the evaluation results of the AML supervision of the PBOC by the PBC, and apply the results of these comprehensive evaluations to regulate banking institutions' scope of operation, permission for entry of branches, approval of business innovations, examination and approval of senior executives, financial approval, and preferred financial policies. On the one hand, this can enhance the incentive mechanism further, and enhance banks' initiative in AML work, and on the other hand, it can promote the comprehensive improvement of bank supervision and control effects.

Further, the UNODC study identified clearly the need to incorporate risk assessment into development policies explicitly, as well as to strengthen cooperation in cross-border law enforcement.⁴⁵ The domestic work of risk-based AML has just started its transition in China. Because systematic assessment of the risks of money laundering and terrorist financing have no particularly mature experience in the world, exploring a systematic risk assessment system for AML and CFT based on state, industry, and product risks is the key link in China's full implementation of the risk-based AML approach.

It has been noted that in recent years, China has paid increasing attention to, and participated in, the discussion of cross-border economic crimes, and its willingness to crack down on transnational economic crimes has also increased continuously.⁴⁶ Because money laundering largely is a transnational phenomenon, it is important to promote the participation of relevant government departments in multi-faceted international cooperation, to participate in international conventions, agreements, and international organisations actively in the fight against money-laundering and to enhance judicial assistance at the international level. This may include assistance in obtaining evidence of money laundering, the freezing, seizure, confiscation, and recovery of criminal assets, the investigation of criminal activities, and the judicial assistance in all criminal aspects, such as extradition, and cross-coordination and unification of AML legislation and judicial practice.

Further, it is better to establish a long-term and effective exchange mechanism for international financial intelligence information and AML technology, and, in particular, to strengthen contacts with relevant international organisations, such as the FATF and the Basel Committee on Banking Supervision, and by learning from experience and the exchange of information, begin to approach the international standards. It also is necessary to strengthen international AML training and create a favourable international environment in which to coordinate different countries' AML efforts to interdict and prevent transnational money-laundering crimes effectively.

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⁴⁵ Daniel Sprick, 'One Belt, One Road: Many Routes for Transnational Crime and Its Suppression in China' in Lutz-Christian Wolff, Chao Xi and Jenny Chan, *Legal Dimensions of China's Belt and Road Initiative* (Wolters & Kluwer, 2016) 507, ISBN: 9789887741206

⁴⁶ Barry Rider, 'Editorial' (2018) Vol.21 Issue 1, *Journal of Money Laundering Control* 2 < <https://doi.org/10.1108/JMLC-10-2017-0057> > accessed 31 January 2018