

Pakistan and FATF

What is the issue?

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- Financial Action Task Force (FATF) has grey listed Pakistan for its alleged laxity in curtailing finances of terrorist groups within its soil.

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- The move was initiated by the U.S. and will now place Pakistan under international scrutiny to prove its compliance with FATF norms.

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What is the Financial Action Task Force?

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- The Financial Action Task Force (FATF) was set up in 1989 by the western G7 countries, with headquarters in Paris.

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- FATF has 37 members that include all 5 permanent members of the Security Council, and other countries with economic influence.

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- Two regional organisations, the Gulf Cooperation Council (GCC) and the European Commission (EC) are also its members.

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- Saudi Arabia and Israel are “observer countries” (partial membership).

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- India became a full member in 2010.

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What is the objective?

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- FATF acts as an ‘international watchdog’ on issues of money-laundering and financing of terrorism.

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- It works on a peer reviewing model.
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- It is empowered to curtail financing of UN-designated terrorist groups.
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- It can publicly sensor countries that are not abiding by its norms.
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- Such censors would make it difficult for the concerned countries to source financial flows internationally and thereby constrain them economically.
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What is the issue with Pakistan?

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- Pakistan is particularly vulnerable to pressures from FATF.
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- This is because multiple internationally designated terrorist groups operate from its soil.
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- Notable among them are the Afghan Taliban, Haqqani Network, Lashkar-e-Taiba (LeT) and Jaish-e-Mohammed (JeM).
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- Pakistan argues that it is doing its best to prevent terrorism emanating from its soil.
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- But it does not recognize India focused JeM and LeT as terrorists.
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- These groups were publicly making calls for promoting unrest in India.
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- Moreover there are ample evidence for their role in the Pathankot attack and the 26/11 Mumbai attack.
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- Despite these, Pakistan has been claiming absence of conclusive proof.
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What are the America's Concerns?

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- U.S. backed regime in Kabul is seeing increasing threats from the Taliban, which seems to be operating with Pakistani support.

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- To save the regime, the U.S. recently augmented its troops in Afghanistan and is working to strengthen the Afghan armed forces.

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- Additionally, the U.S. has cut defence and economic assistance to Pakistan for going soft on terrorists groups that operate from within Pakistani soil.

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- In line with these developments, the US initiated moves at FATF to place Pakistan on the “grey list” (which will come into effect by June).

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- Notably, the U.S. and its NATO allies are more focused on the groups invested in Afghanistan than the ones directed at India.

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What is the way ahead?

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- As Pakistan has now been placed in the grey list, it will now have to provide a detailed action plan to curbing funding for UN-designated terrorist groups.

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- If Pakistan fails, FATF will be ‘black listing’ it, a move that could virtually cut all financial flows.

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- The developments at FATF have frustrated many in Pakistan.

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- But no political party seems capable of asking the military to end its support for terrorists.

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- As there seems to be a lack of a genuine effort to curtail terrorist activity, all major economies must be persuaded to boycott Pakistan.

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- While China might continue to aid Pakistan financially, its funding model thus far has been only increasing Pakistan’s debt burden.

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- Given its precarious foreign exchange position, Pakistan will inevitably have to seek a bailout from international organisations like IMF and World Bank.

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- Consensus needs to be strengthened for not providing concessional credits unless terror infrastructure is irrevocably dismantled.

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Source: Business Line

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