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Treading Cautiously

The euphoria in the country over being removed from the anti-terrorism financing watchdog's grey list was dampened by the US ruling out any major relief unless it cracked down on terrorism
By Asif Ullah Khan

THE news of Pakistan being removed from the Financial Action Task Force (FATF) grey list is greatly exaggerated. It was the Indian media that triggered this speculation, attributing it to the positive role played by the US and other western countries. But the Pakistan visit of Alice Wells, the Principal Deputy Assistant Secretary of State for South and Central Asia, and her subsequent

press conference in Washington have dampened the initial euphoria in the capital city of Islamabad.

When Wells was in Pakistan, its foreign minister, Shah Mahmood Qureshi, had requested the US to help Pakistan in getting off the grey list. Briefing the media in Washington about her recent trip to Pakistan, India and Sri Lanka, Wells had acknowledged Islamabad's efforts in fulfilling the obligations of FATF and said Washington stood ready

to assist it in implementing it.

However, she emphatically ruled out major relief, saying: "It's a question of fulfilling the requirements that have been spelt out and that are asked of all countries in the international system. So it's not a political process, but we certainly support and stand ready to assist Pakistan as it implements these obligations."

The American diplomat also made it clear that the completion of the FATF



HOPE AGAINST HOPE

(Left) A FATF meeting in China. The plenary session in February will decide Pakistan's fate vis-a-vis the grey list; top US official Alice Wells has already ruled out any major relief

action plan is critical to Pakistan's economic reform efforts, including its IMF programme, as well as for demonstrating sustained and irreversible action against all terror groups based there.

This has led to guarded optimism in Islamabad. Minister for Economic Affairs Hammad Azhar, who led the Pakistani delegation during the three-day talks with the FATF Joint Group in Beijing, tweeted: "It is premature to comment/speculate on the decision that the FATF members shall take in the plenary in February."

Two years ago, when Nawaz Sharif was in power, his foreign minister, Khawaja Asif, had prematurely tweeted about Pakistan's position in the FATF. Asif had shared "good news" on Twitter, saying that Pakistan narrowly escaped being placed on the global terror-financing watch list, thanks to its "friends", meaning China, Turkey and Saudi Arabia who resisted the US-sponsored motion against the country at the FATF meeting in Paris.

However, the "good news" turned out

to be bad news, as in February 2018, FATF decided to put Pakistan on the list of countries that finance terrorism or do little to curb it.

Another reason for Pakistan's discomfiture is the growing rivalry between China and the US and their vested interests in the region, especially Pakistan. China's footprints are increasing in Pakistan through the China-Pakistan Economic Corridor (CPEC), while the US also has stakes there as it wants the country to play a positive role in the Afghan peace process by bringing the Taliban to the negotiating table.

Although the US had earlier expressed displeasure over CPEC, Wells was the first US official to take such a hardline stance and that too on Pakistani soil. In strongly worded criticism, Wells said there was no transparency and alleged that many companies black-listed by the World Bank had got contracts in CPEC projects.

She even warned that the CPEC projects would push Pakistan deeper into an already stifling debt burden as China was providing loans, not grants, like the US. She said that while CPEC would only benefit China, the US offered a better model. She urged Islamabad to introduce economic reforms that would encourage US investors to invest in Pakistan.

Former Pakistani High Commissioner to India Abdul Basit reportedly said that Wells, at a private dinner held in her honour, told him that the US will keep the pressure on Pakistan to fulfil the FATF requirements. He said Wells clearly ruled out helping Pakistan in getting off the grey list because she said: "If we don't put pressure, then Pakistan will

China is a supporter of Pakistan on getting the country out of the FATF grey list. It is also one of its biggest financiers, along with some Gulf nations. But, its clout in Pakistan is a concern for the US.





“The friction between the US and China is now very clear and Pakistan has become a territorial ally of China.”
—Mohammed Rizwan, a Pakistan-origin journalist



“Pakistan’s proxy militias, terror infrastructure, its funding and recruiting are intact despite global pressure.”
—Dr Adil Rasheed, research fellow at IDSA, Delhi



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Foreign minister Khawaja Asif in the Nawaz Sharif government had said that Pakistan escaped being placed on FATF’s watch list. But FATF later put Pakistan on the list.

not take these measures.” He said that it clearly showed that the US had serious concerns over the growing clout of China in Pakistan.

Mohammed Rizwan, Toronto-based journalist of Pakistani origin, and a fellow at Pragmora Institute, Canada, also concurs with this view. He told *India Legal* that Pakistan’s problems had grown for reasons such as the serious financial crisis and the rise of China as an economic power. Earlier, it was easy for Pakistan to be in the US camp and at the same time remain a strategic ally of China.

“Now, things have changed. Today, the US and China are directly competing with each other on three fronts—technology, economic and military side. The friction between Washington and Beijing is now very clear and with CPEC coming up and Pakistan agreeing to hand over Gwadar Port in Balochistan to China, Pakistan has become a territorial ally of China,” said Rizwan.

Today, apart from Gulf countries like Saudi Arabia and the UAE, China has become Pakistan’s biggest financier. It has given about \$3.5 billion to help bolster its dwindling foreign cash reserves and pay for socio-economic development plans undertaken by the Imran

Khan government. Before coming to power, Khan had said that his government would review CPEC projects, but with US President Donald Trump suspending security aid to Pakistan, China was the only country which was willing to invest in Pakistan. His government may not like the terms on which the Chinese investment is coming but he has no choice because of the state of the economy, which is in a shambles.

On the other hand, the US has its own interests in the region. Wells, during her trip, made it abundantly clear that the US wants Pakistan to give further impetus to the Afghan peace process by initiating intra-Afghan dialogue, leading to a ceasefire. She also pushed Pakistan to begin some sort of engagement with India to cool tense ties.

Like the World Bank and the IMF, the US can use FATF as a tool for political leveraging and is using it to counter China’s influence, which is evident from the IMF bailout package. Pakistan, after much difficulty, sealed the \$6-billion deal but it came with FATF strings attached.

With CPEC becoming a new battleground between the US and China,

Pakistan cannot afford to be seen too tilted in favour of either country. Being caught between two political and economic heavyweights, Pakistan has to do delicate tightrope walking.

Rizwan told *India Legal*: “After a long time, the signals emanating from Washington and consequently other western capitals look positive for Pakistan for mainly two reasons. The emerging geopolitical arrangement in the region perhaps warrants for a stable Pakistan. This new equation has India as a key holder of balance. Combined with Pakistan and Afghanistan, this new equation is vital for the US-led regional interest. Pushing Pakistan into the blacklist would weaken it beyond repair and it would be unable to play any part in regional game-play.”

Second, though there are no tangible signs that the Pakistan military has dismantled the *jihadi* network operating in Afghanistan and Kashmir, it seems that it has managed to win the trust of Washington and other European partners on this particular issue, Rizwan said.

Dr Adil Rasheed, Research Fellow at the Institute for Defence Studies & Analyses (IDSA), Delhi, is also of the view that as far as terror financing, one of the main requirements of the FATF,

What is FATF?

The Financial Action Task Force (FATF) is an inter-governmental, decision-making body established in 1989 during the G-7 Summit in Paris. It seeks to combat money laundering, terrorist financing and other threats to the international financial system. It is both a policy-making and enforcement body. FATF was initially set up to tackle drug smuggling and money laundering and misuse of financial institutions resulting thereof. After the September 11 terror attack in the US, FATF’s mandate was enlarged to include the fight against terrorist financing.

FATF recommendations mandate that

states, in order to maintain the integrity of their financial systems, should:

- (1) Identify the risks and develop policies and domestic coordination,
- (2) Pursue money laundering, terrorist financing and the financing of proliferation,
- (3) Apply preventive measures for the financial sector and other designated sectors,
- (4) Establish powers and responsibilities for the competent authorities (e.g., investigative, law enforcement and supervisory authorities) and other institutional measures,
- (5) Enhance the transparency and availability of beneficial ownership information of legal persons and arrangements.

As of 2019, FATF consists of 37

member jurisdictions. India became an observer at FATF in 2006 and on June 25, 2010, became its 34th member. More than 20 bodies have observer status, which include the IMF, World Bank, OECD and various UN law enforcement bodies.

FATF has two types of lists:

Black List: Countries known as non-cooperative countries or territories (NCCTs) are put on the Black List. They support terror funding and money laundering activities. FATF revises the black-list regularly.

Grey List: Countries that are considered safe havens for supporting terror funding and money laundering are put on this list. This serves as a warning to the country that it may enter the blacklist.



INTERNATIONAL PRESSURE

Mumbai attack mastermind Hafiz Saeed and his close aides are being tried in Pakistan in terror financing cases

can only hope that the UN monitoring agency does not take any hasty decisions regarding a country that has always used terrorism as part of its state policy.”

is concerned, nothing concrete has been done by Pakistan. He told *India Legal*: “We still find Masood Azhar’s recently released incendiary videos on *YouTube* for waging war in Kashmir, as late as on India’s Republic Day, and his call to Muslims around the world to wage his distorted version of *jihad* extremely disconcerting. Clearly, the Pakistan state’s proxy militias, the terror infrastructure, its funding and recruiting are still intact

and gearing up for major instability in the region, irrespective of the pressures exerted by the international community, particularly by the FATF.”

On the issue of Pakistan getting major relief at the February meeting, Rasheed said: “Frankly speaking, we are not privy to all the information available to the FATF regarding Pakistan’s recent efforts towards reversing its long-standing policy of terror funding, but we

In February 2018, FATF decided to place Pakistan on the list of countries whose laws on curbing money laundering and combating the financing of terrorism had serious deficiencies. It gave a 27-point action plan with a deadline to implement it by September 2019. However, Pakistan did not show any significant progress and in October 2019, the FATF plenary extended the “grey list” period to February 2020 with a warning to show full compliance.

On the likely outcome of the February meeting, Rizwan said: “This is an ongoing situation and we are far from a definitive conclusion on the issue.” This is the reason why the Pakistanis are guardedly optimistic and are not declaring victory ahead of the February meeting.

That meeting will determine the future of Pakistan vis-a-vis the FATF.