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The Meeting of the Financial Action Task Force: Pakistan Fights being ‘Blacklisted’

The Financial Action Task Force, an international body that monitors, among other things, terror financing, is scheduled to meet in Paris on 24 June 2018. It will assess the performance of Pakistan which runs the risk of being ‘blacklisted’. This is a major challenge for the new caretaker government of the country, which is scheduled to go the polls on 25 July 2018.

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Caretaker governments in Pakistan generally have a smooth sailing. They hold power for a very short periods of time – barely three months. Legislations by circumspect and suspicious parliaments have denied such governments most powers. They are left with little to do beyond the conduct of day-to-day governance. Their main responsibility is the holding of elections. Even this is largely discharged by the Election Commission. So far, this unique institution has performed its limited given tasks with a modicum of satisfaction of all stakeholders. In contemporary Pakistan, the stakeholders may be taken to mean the army, judiciary and the political parties.

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The current caretaker government of Prime Minister Justice Nasir ul Mulk assumed office on 1 June 2018. However, circumstances are causing its experience to be very different. The new and temporary prime minister has suddenly been confronted with far more challenges than those of his previous ‘interim’ colleagues. The crisis Nasir ul Mulk immediately confronts is an inherited one, and not the making of his government. It is owed to complex policies pursued mainly by Pakistan’s establishment and the ‘deep state’, which might also be read as the intelligence services. Yet, the ability of his government to handle the situation successfully will have huge ramifications for the future of Pakistan’s economy as well as for its global reputation.

The issue pertains to the decision expected to be taken by the Financial Action Task Force (FATF) on Pakistan at a meeting in Paris on 24 June 2018. Set up in 1989, the FATF is an international body charged with combatting money laundering, terrorist financing and other illegal activities related to the international financial system. It reviews the actions of relevant countries in these connections and lists them in accordance with their assessed performance. The non-performers are placed in a ‘grey list’ and those who fare even worse in a ‘blacklist’, one which, as the name would indicate, implies near-ultimate humiliation.

Pakistan’s inclusion in such lists would be damning for several reasons. They may be obvious, but merit re-enumeration. First, it would convey a very negative image to the world beyond. Second, and this is connected to the first, it would imply that there are systemic problems in the handling of the country’s financial system by the authorities who are unable to stem the illegal actions. Third, it would discourage foreign investments, and limit interest of potential external business partners. Finally, it would severely inhibit the country’s access to credit from multilateral financial institutions such as the International Monetary Fund (IMF), the World Bank and others. As is well known, Pakistan’s economy is in dire straits at this point in time. By the end of this financial year, the current account deficit is likely to balloon to US\$15.7 billion (\$21 billion). The tax to gross domestic product ratio remains abysmally low. Already approaches for bail-outs to be made to the IMF and China, Pakistan’s strategic ‘best friend’, are being seriously contemplated. Therefore, Pakistan at this stage, cannot simply afford any such negative reputation that would be reflected in such listing.

There is an uneven history of Pakistan's relationship with the FATF. Indeed, in the past, Pakistan was on the 'grey list' between 2012 and 2015. This fact had put it in the company of such countries as Ethiopia, Iraq, Yemen, Serbia, Syria, Sri Lanka, Trinidad and Tobago, Tunisia and Vanuatu. In 2015, the FATF certified that the government had taken sufficient measures to counter terror financing. Thereafter, it was delisted. However, soon enough, Pakistan faced cascading crises. In the perception of key players like the United States (US), the United Kingdom (UK), Germany and France, Pakistan failed in its commitment to rein in the terror groups. In particular, it was the lack of action against, among others, Hafiz Saeed. He is allegedly the mastermind of the 2008 Mumbai attacks, and heads the suspect charity, Jamaa-ud-Dawa, a front-runner for the infamous Lashkar-e-Taiba. Saeed was said to be operating freely in Pakistan with impunity, reportedly derived from the blessings of Pakistan's all-powerful Inter-Services Intelligence (ISI) of the military.

Prior to the dissolution of the previous government in the wake of the upcoming general elections on 25 July 2018, there was a meeting of the FATF in Paris on 20 February 2018. Accused by the US (backed by the UK, France and Germany) of strategic deficiencies in countering financing of terrorism, the meeting felt that Pakistan deserved to be put back in the 'grey list'. Pakistan was able to garner the support of China, Turkey and Saudi Arabia, a non-member acting as representative of the Gulf countries, to stave off the imminent danger. Support of these three members was necessary for such reprieve. Alas, the breather was brief. Almost instantaneously, the western countries were able to wean Saudi Arabia away with the promise of full membership. Faced with certain discomfiture, China withdrew its opposition. Only Turkey's backing remained steadfast. That was insufficient to prevent Pakistan being put on a 'watch-list' two days later. Pakistan was given a long 'to-do' set of tasks to be accomplished by June 2018. By then, the caretaker government would have been installed in the country.

Nonetheless, Pakistan endeavoured to undertake the measures to the FATF's satisfaction. It prepared a fresh plan to address the concerns of the FATF, mainly with regard to money laundering. The FATF had actually sought the implementation of a series of 'recommendations' (stated to be 27 from the Pakistani end and nearly 50 from the FATF). The main ones focused on the improvement of supervision of anti-money laundering and counter terror financing rules, illicit cross-border movement of currency, prosecution of

offenders, and adherence to the United Nations (UN) Security Council resolutions. Some steps have been undertaken. Particular mention must be made in this respect of the Finance Bill of 2018. In accordance with it, Pakistan could, and would, be able to seek foreign assistance to aid its efforts. The set of measures adopted was reviewed in the very first meeting of the interim prime minister with the National Security Council. Doubtless to swing support within the FATF, the meeting reaffirmed Pakistan's commitment to the desired goals and to work towards fulfilling the international obligations under the FATF framework.

The scheduled meeting of the FATF plenary in Paris on 24 June 2018 will be the most critical point in the unfolding of this process. The decision to put Pakistan on the 'grey list' or even the 'blacklist', or to assess its performance as positive, and, thereby, to let it off the hook, is expected to be taken at this all-important occasion. The presentation on Pakistan's behalf is to be made by the interim Finance Minister, Shamshad Akhtar. She has, in the past, acquired considerable recognition as an economist, diplomat, and senior UN executive. Her calibre now will be put to test. She will doubtless refer to the Presidential Ordinance to amend the anti-terror legislation in order to include all UN-listed individuals and groups in the national listings of proscribed outfits and persons. This is easier said than done, for some are still said to have ISI backing. The proof of the pudding as to whether the government can deliver, will lie in the eating. The question remains whether the 'deep state' would be willing to forgo any support to such persons, as it is alleged to be according, for the attainment of broader and nobler national goals. If that is not to be, the future of the country, beyond the rim of the saucer, looks murky indeed.

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