

A Confession about FATF

In what can only be termed an abject confession of his government's culpability, the Indian external minister S. Jaishankar [recently said](#) that India has been playing a direct hand in the manipulation of the Financial Action Task Force (FATF) to keep Pakistan on its so-called grey list. According to Jaishankar, "due to us, Pakistan is under the lens of FATF and it was kept in the grey list," and he added that India has "been successful in pressurizing Pakistan." These remarks came during a virtual training session on foreign policy for Members of Parliament (MPs) belonging to the BJP, an ultranationalist political party that has run India for the past 7 years and has exhibited demonstrable failures in the economic realm, in rampant deaths during the Coronavirus pandemic, and in diminishing the country's international standing. The MPs were being prepped for the monsoon session of Parliament where they are expecting tough questions from the opposition about the BJP's policies as a whole.

Jaishankar sought to play to the galleries by boasting of India's hybrid warfare tactics, including in the economic domain through politicizing and manipulating the FATF, which was intended to serve as a neutral financial oversight body, but which has been subverted by political machinations. It is typical of the BJP's leadership to engage in hubristic and bare-chested bravado, particularly towards domestic audiences. It is reminiscent, for example, of the tough-talk before the 2019 India-Pakistan standoff and Operation Swift Retort, in which the Pakistan Air Force (PAF) disabused the Indian government of its zealous pretensions and successfully neutralized Indian aggression. But even for close observers of the sociocultural manifestations of ultranationalism in the Hindutva psyche, Jaishankar's admission is somewhat surprising.

For several years now, there has been a growing realization in Pakistan about the sabotage of the FATF and its mirror-body, the Asia-Pacific Group (APG), in terms of the unduly harsh scrutiny that the Pakistani economy has undergone in terms of measures on Anti-Money Laundering and Countering the Financing of Terrorists (AML/CFT). Jaishankar's confession corroborates those suspicions, and I have written about this extensively [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), [here](#), and [here](#). In response, Pakistan has followed a sober dual-strategy of (1) improving its AML/CFT systems, but also (2) highlighting how the ostensible neutrality of the FATF is but a performative garb. Behind the technical and accounting-based veneer lies a subjacent partisan contrivance. Yet as a result of Pakistan's hard work on AML/CFT, its mechanisms have become considerably more robust, showing improvements in the quality and scope of legislation, in inter-agency cooperation, in prosecutorial procedures, and enforcement capabilities. Ultimately, adversity brings strength, so long as the country continues to tackle AML/CFT for its own national best interest.

But now that there is an open admission of India's culpability in manipulating the FATF, thanks to the ever-tactful S Jaishankar, further emphasis must be given to the narrative and realization of an insidious distortion of international financial regulation. In addition to improving domestic AML/CFT protocols and praxis, it is important to (1) engage in counter-accountability of the FATF, (2) highlight the global AML/CFT risk posed by Afghanistan's crumbling systems, and (3) demonstrate the importance of putting India on the grey list, given that it is a state-sponsor of terrorism, and given that the scope of its black money is among the worst in the world. According to the Global Financial Integrity (GFI) think tank, India's black money flows were the fourth-highest in the world, at \$510 billion over the period 2004-2013, or \$51 billion annually, and the numbers have ballooned since then due to Indian government policies such as the demonetization fiasco.

Going forward, the following elements must be keenly incorporated into Pakistan's AML/CFT strategy. First, the FATF plenaries and intermittent mutual-evaluation periods must be seized to cross-question the operational legitimacy and integrity of the FATF itself, demanding that the FATF "do more" to prove its

neutrality in light of its severe shortcomings. The FATF's dubious credibility has come into further question after Jaishankar's admission. Second, Afghanistan's possible descent into civil war should be cautioned to all members of the FATF as a major global risk to both AML and CFT, for which Afghanistan may well deserve greylisting, while Pakistan should be assisted in bolstering its financial oversight capabilities to cope with Kabul's possible downfall. Third, India's state-sponsorship of terrorism, as well as the enormous magnitude of its black economy, should constitute the dual-basis for raising in each plenary why India deserves a first-class seat on the FATF's blacklist. These are the measures, in addition to continued rigorous work on improving Pakistan's domestic financial oversight, that warrant attention in light of S Jaishankar's confession.

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