INTERNATIONAL THE NEWS

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Out of the grey

The good news is that Pakistan has managed to avoid being placed on the FATF blacklist. The bad news is that it is still not out of the water. It is clear that India and the US are leading an effort to put Pakistan on the financial watchdog's blacklist. However, Islamabad has managed to get the support of three member states to protect itself from suffering such a fate. At a time when foreign currency is essential for Pakistan, it cannot afford to face financial sanctions. There are two aspects of fighting the decision, political and technical. Pakistan has finally begun to take steps on both sides. In the face of the latest moves in the body to push Pakistan to a pariah status, the country has received support from Turkey, China and Malaysia. However, this is certainly not enough. Turkey is the only country to have openly opposed the move, while China and Malaysia abstained from it. Long-term ally China had previously also criticised Pakistan for its failure to tackle terrorist financing as well as money laundering. The fact that only these three countries are supporting Pakistan, out of which two are supporting it tentatively, should be a real cause for worry.

Some Pakistani officials are rightly wondering that Pakistan has done to wrong many of the 36 countries who are part of the FATF charter. It is clear that the danger is not over yet, but there is no imminent danger of being blacklisted. The formal decision to do such will only be confirmed in mid-October, but Pakistani authorities are confident that the threat has been allayed to allow the country time to meet the FATF requirements in its financial sector. It is clear that India will continue to lead efforts to further marginalise Pakistan, which will continue to need the two-pronged approach that seems to be working.

What Pakistan cannot avoid is taking concrete action against terrorist financing. FATF inspectors have confirmed progress has been made, but the body has continued to criticise the slow implementation of a number of measures as major hurdles before removing Pakistan from the FATF grey list altogether. Reportedly, Pakistan needs to do more to show compliance on 18 of 27 indicators. Major changes have been made, including regulating foreign currency transactions, as well as banning a number of militant groups. But Pakistan now needs to push its diplomatic wings. The grey-listing is estimated to be costing us $10 billion a year. Pakistan needs the support of 15 out of 36 countries to get out of the FATF grey list. This is where the government will need to do more to gain international support. Three will need to become 15 very quickly.

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