

Pakistan & FATF: A Journey from Grey List to White List

Asad Ali Shah^{*}, Faiza Bashir[†], Tabassum Majeed[‡]

Abstract

Number of organizations have been established at international level to maintain peace and security of the world. FATF has been established to scrutinize and keep a check on money laundering and terror financing. The present study is focusing on, after being grey listed by FATF, what kind of constraints facing Pakistan internally and externally in coping the menace of terror financing and money laundering. The paper argues how both India and Pakistan are vying to materializing their objectives. According to Indian claims, Pakistan is still involved in cross border terrorist activities in India and for that reason Pakistan should be placed in black list. On the other side, Pakistan claims that she has made high level commitments to meet the standards of international organization. To translate these objectives into action number of state institutions are engaged to secure place in white list. The paper excavates that politicization of FATF is raising questions on the transparency and accountability of this organization. The paper finds that international lobbies in the form of US, India and Israel are working and have overwhelmed the organization, to even downgrade Pakistan into black list. It suggests that FATF needs to maintain equilibrium in the competing narratives of all the stakeholders.

Keywords: FATF, grey list, money laundering, terror financing

Introduction

Financial Action Task Force (FATF) is an inter-governmental decision-making body established by the efforts of G-7 countries. In 1989, a meeting was held under the leadership of United States with other G-7 countries and the foundation of FATF was laid down with the objective to promote and implement measures for combating money laundering, illegal drugs dealing, and other threats to international financial system. 37 countries and two regional organizations i.e., European Union (EU) and Gulf Cooperation Council (GCC) are the members of FATF. In 1990s, FATF initially proposed certain standards, which were considered as a guide line and directed all the countries to play their role while halting money laundering and other threats faced by the international financial system. The cardinal motive behind these initiatives were to provide a legal strategic framework in which each state plays its due role to ensure transparency of economic institutions and to investigate other

^{*}Student Department of Political Science, Islamia College University Peshawar

[†] PhD and Assistant Professor at the Department of Political Science, Islamia College University Peshawar

[‡] Lecturer at the Department of Political Science, Islamia College University Peshawar

fraudulent activities. In additions to these standards other recommendations have also been made in 1996, 2001, 2003, and 2012 to deal with modern challenges. FATF meets thrice a year to examine the development of various countries in line with the standards set by it. Focusing to halt money laundering, dealings of illegal drugs and terror financing, FATF in a collaboration with other international stakeholders is trying to keep check on the advancement and progress in the provided frame work.

The initial motive behind the establishment of FATF was exclusively financial because in 1980s, the transaction of money to deal illegal drugs and money laundering by the politicians and other industrialists, were the serious challenges faced by the world. However, the attacks on World Trade Centre (WTC) on September 09, 2001, FATF and other international authoritative bodies included some other areas where money is spent on Terrorism and other noxious activities. Post 9/11 attacks, combating terror financing and investing spending money on the proliferation of weapons of mass destruction (WMDs) became the cardinal focus of the organization. In order to fight against terror financing and money laundering, FATF's new standards proposed that all countries in the world should cooperate among themselves. The government must ensure that every individual should registered and licensed in accordance with the forty standards of FATF. For that reason, FATF classified countries into three categories; the white list, grey list and the black list.

Economic crisis and social and political instability are the consequences of money laundering; therefore, Pakistan has taken initiative to counter money laundering and terror financing. No doubt economy is the one of the strongest pillars in the development of any country. Economic stability ensures political stability and vice versa. Currently, economic conditions of Pakistan are unsatisfactory. In addition to this, the extremist ideologies related to the holy wars has a strong targeted influence on the minds of youth. Registrations of madrassas, giving equal status with other educational institutions, and providing services and salaries in collaboration with Federal Board of Revenue (FBR) and Higher Education Commission (HEC) are such steps which can help to maintain Pakistan's place in the white list. The decision-making body of FATF, prepares a report of the countries involved in money laundering, terror financing or illegal drugs dealing and forwarded the report to World Bank and IMF etc. If the report finds activities like money laundering and terror financing, that is a clear-cut violation of the standards of FATF, such state will face difficulties in finding foreign investments.

The progress of Pakistan regarding financing terrorism and money laundering was reviewed by FATF and international stakeholders. Before June 25 meetings, Pakistan was hoping to get out

of Grey List. Since the past four years, this time Pakistan for the very first time was hoping to get the fruits by implementing the policies under the recommendations of FATF. However, Pakistan has struggled a lot for the completion of all the 27-points action plan given by FATF. These points are now completed by Pakistan under the global watch dog's action plan. In order to comply with FATF and to counter money laundering and terror financing, Asian Pacific Group (APG) has acknowledged the progress of Pakistan. In the past the report by APG was helpful to bring Pakistan out of the grey list, but unfortunately it did not work. The authoritarianism of international stakeholders and the politicization of FATF, are the external factors while corruption, mafias and domestic politics are the internal factors due to which Pakistan for so many years couldn't manage to find its place in white list.

There were number of cases in Pakistan, where money laundering had happened to finance terrorism exclusively. The crime of money laundering is basically a white-collar crime, which is very difficult to combat and understand. All such kinds of activities have badly affected the economy of the country. Pakistan is facing serious challenges not only to stabilize the economy but to create its soft image on the world by legal means. First and foremost, Pakistan must highlight the Indian lobby, who has always tried to put Pakistan in the black-list. The general credibility of monitoring groups is harmed by the involvement of politics in FATF by countries like India, UK, Israel, US, and France. Therefore, Pakistan must draw equal attention to the successful implementation of approved measures.

The article proceeds to explain its argument in the following sequence. The next section examines genesis of the problem of grey listing of Pakistan. The third section unpacks Pakistan's efforts to the standards of the organization. The ensuing section makes an argument for highlighting the inherent anomalies in the country's counter-terrorism policies and role of international players to put Pakistan under pressure. The following section sheds light on indiscriminatory attitude of the organization towards different states. Finally, the conclusion recaps the key arguments and recommendations of the article for the purpose of policy-making.

Pakistan under the Monitoring of FATF

It was 2008 when Pakistan was first time put under the monitoring of strategic deficiency of FATF due to structural deficiencies that is one of the major causes of the country's failure to counter money laundering and financing terrorist activities (Kiani 2020). To fulfill it high level political commitment with FATF, Pakistan passed *anti money laundering bill* in 2010. The organization asked Pakistan to be conscious about the remaining weaknesses of the

monetary institutions operating in the country that may cause fragility to the International financial system (Pervez 2021). Although Pakistan was committed to work on the remaining deficiencies under the umbrella of FATF and Asia Pacific Group, but the efforts were not satisfactory.

Again in 2012 Pakistan faced the same strategic deficiencies and remained under the monitoring, but it was 2015 that it managed to circumvent monitoring after implementing the action plan in the area of money laundering and terror financing (Noor 2019). In June 2018, Pakistan was for the third time put under the same monitoring at the behest of USA and UK backed by France and Germany (Wolf 2019). This time putting Pakistan in the FATF grey list was result of the US president's statement to take serious steps against Pakistan. According to the statement it was argued that Pakistan serves as a safe haven for the terrorists (Karim and Hayat 2018).

After that Pakistan was given 27 points action plans for implementation so that she could secure her position in white list. This action plan was a kind of a warning for Pakistan. Failure to meet this action plan, will put the country under the high jurisdiction of FATF, unofficially known as black list. Most of the points in the action plan were related with terror financing.

The FATF mutual report of September 2019, held that many activities related to terror financing are recorded. Additionally, Pakistan remained involved in high level of money laundering during this assessment period. In the FATF meeting held in September 2020, Pakistan was advised to take urgent steps to meet the requirement by October of the same year (Anon 2019). The core reasons behind the inclusion of Pakistan in the organization's grey list is a result of the failure of the implementations and executions of the laws related to terrorism. Moreover, the anti-terrorism laws in the country are not in line with the standards of FATF and with the latest UN resolution on criminalizing the terrorists (Anon 2019).

According to the FATF report published in October 2020, Pakistan has made a significant achievement while implementing the 27-point action plan. The organization acknowledged the progress made by Pakistan while implementing action plans. Till October Pakistan addressed 21 of the 27 points plan (Anon 2020). The organization further provided four other points related to the effective trails of the terrorists, law enforcement agencies to investigate terror activities and terror financing investigations and prosecutions of designated persons and entities. FATF strongly urged to implement all the action items till February 2021. It was made clear that failure to do so would put Pakistan under the increased monitoring.

By June 2021, the continued political commitment led to significant progress. FATF acknowledged that Pakistan has completed

26 items of the total 27 points action plan. FATF acknowledged the efforts made by Pakistan, however, did not delist her from grey list. The organization again provided two additional points to deal with money laundering and terrorist activities (Anon 2021). The only point because of which Pakistan failed to find a place in white list was poor mechanism for investigating terrorist activities.

The FATF report of March 2022, on Pakistan's progress regarding the implementation of 27 points action plan of 2018, as usual holds the appreciation of significant progress made by the government of Pakistan. It was noticed that Pakistan has completed 26 out of 27 items. FATF claimed that the non serious behavior of the government regarding the investigation of terror financing was the only point for which Pakistan remained in the grey list (Anon 2022).

The latest report in June 2022, argues that Pakistan continued political commitment has led to significant progress. The organization encouraged Pakistan to continue and make further progress to strengthen its CFT regime. This time Pakistan demonstrated that high level positive upward trends in the number of money laundering prosecution being persuaded (Anon 2022).

Pakistan Efforts to Meet FATF Standards

In the four years journey, Pakistan has developed and reevaluated all the laws and regulations related to terror financing and money laundering and brought them in conformity with the international standards. Pakistan has realized that proper legislation and enforcement will enable her to meet the identified deficiencies. Pakistan has not only improved investigative and monitoring capabilities but has also made efforts in interagency and authoritative coordination (Gul and Asghar 2021). Several other legislative amendments were introduced in the sphere of anti money laundering and counter fterror inancing activities. Because of continuous monitoring by the international watchdog, government of Pakistan has made high level of progress on each point of action plan. The country since 2018 has taken serious actions in different spheres.

One of the major challenges faced by the developing countries like Pakistan, Afghanistan and India is hawala, because of which money is illegally transferred from one country to other country (Kiani 2020). This is one of the reasons that the issue of money laundering is frequently found in these countries. Since 2018, Pakistan is observing anti-money laundering and counter financing terrorism policies. PTI government after coming into power has made amendment in the already existing Money Laundering Act 2010, that made crimes related to terror financing, money laundering and hawala/hundi highly punishable acts. To meet the requirements of FATF, government has introduce some key amendments as a part of the financial

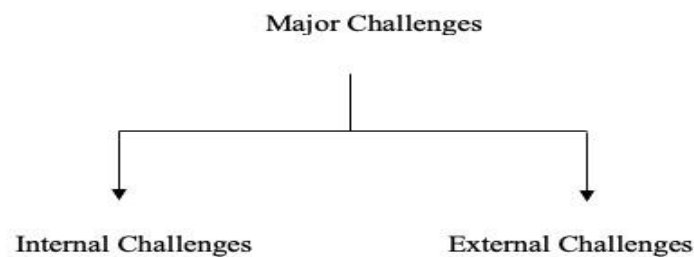
supplementary bill 2019 (Chohan 2020). Some of the amendments introduced are related to various agencies like Federal Investigation Agency (FIA) and Security Exchange Commission of Pakistan (SECP) that are closely connected to matters of FATF. Right after the adoption of these amendments FIA reported to the then prime minister that significant decrease has been observed in the hawala/hundi cases that is positively reflected in the stock market in March 2019 (Amin, Naseer, and Akhtar 2021).

- Government of Pakistan took various steps with the intent to combat illicit financial flow from Pakistan and made serious efforts that met the standards of international financial organizations.
- In September 2020, the parliament has amended 14 laws to meet the requirements of FATF. According to ministry of finance Pakistan has work on all the points because of which Pakistan has been placed in grey list.
- Government has worked in collaboration with FBR to keep check on money laundering. Besides this, government has established FATF cell for the implementation of 27 points action plan (Ali 2018). FBR and FIA are working against the offences related to alternative remittance system and money laundering. The role of FIA is very crucial to monitor the compliance of other institutions in order to meet 27-point action plan. For this purpose, a special unit has been established in FIA to monitor the progress of other institutions. FIA has taken initiative in the entire country particularly Khyber Pakhtunkhwa against human trafficking and money laundering by preventing the routes for organized crime (Qarar 2019). Both civil and military leadership have made efforts against drug trafficking near Torkham border (Pervez 2021).
- Parliament has amended various laws related to the security and financial institutions. Government has observed that the policies issued by State Bank of Pakistan (SBP) were not properly communicated to the people. It was decided to publicize all the rules through media. SBP has also imposed heavy fine of Rs. 805 million as a punishment, on more than ten banks for violating the laws related to money laundering, transparency and terror financing (Ghuman 2018).
- It important to note that since last three and a half years government has started a well-organized campaign against banned organizations which have been involved in the activities like financing the terrorists, conducting terrorist activities or involved in hate speech. The National Counter Terrorism Authority (NECTA) took the responsibility of the operation against the banned organizations and freeze the assets of 70 organizations.

The Counter Terrorism Department (CTD) argued that most of the assets were raised from charities and other funds while using the name of religion (Tanzeem 2019). One of the major crackdowns were against the leadership of banned organization like Lashkar-e- Tayyaba (LeT), Jamat -Ud- Dawa, Falah-e- Insaniyat Foundation. Hafiz Saeed the founder of all these organizations was arrested by Counter Terrorism Department.

- To meet one of the significant points of FATF plan of action related to benami account and benami land, government has taken initiative and recovered larger territory. Such steps have been taken under Benami Transaction Prohibition Act, passed by parliament in 2017.

Major Challenges to Pakistan



Internal Challenges

Corruption

The most serious problems faced by the developing societies is high level of corruption. Pakistan is not an exception to this case. Not only the serving politicians but the entire institutional and administrative set up is involved in different sorts of corruption. However, the highest degree of corruption is recorded in political parties of the countries. This is one of the reasons why Imran Khan the former premier of Pakistan use to talk about frequently about this problem of society as a major source of underdevelopment and resolved not to compromise on this issue (Pervez 2021). But according to the report of Transparency International published in the year 2021, Pakistan ranked 140 out of 180 countries. This time Pakistan dropped 16 places from 124 to 140 in the Corruption Perception Index (Anon 2021a).

Domestic Politics

Domestic politics of Pakistan is one of the reasons that Pakistan is places in the grey list of FATF. In the PTI government the opposition opposed the legislation related to FATF's proposed recommendations to money laundering and terror financing that made

the situation of Pakistan much more complex at this international forum. The tug war between ruling party (PTI) and opposition made it difficult to take some concrete steps to bring Pakistan out of grey list.

Lack of Accountability

The process of accountability is very much essential for the growth of any society. It reduces the rate of offences in the everyday life which eventually brings satisfaction in the political and economic spheres. In Pakistan public accountability is often reduced to anti-corruption and thus associated with criminal activities (Jan, 2020). Lack of accountability of the institutions dealing with money laundering and terror financing is one of the reasons Pakistan is in grey list.

Drug Supply Across Pak-Afghan Border

Afghanistan produces more than 90 percent of the world's opium, a one third of which is supplied through the Pakistani routes. A huge amount of cannabis resin is transited through Pakistan. This trade is cementing further linkages among the traffickers (Shelley and Hussain 2010). Pak-Afghan border is not only used by the traffickers but also by a large number of terrorists, and other locals for drug trafficking.

Terror Financing

Terrorism is posing national security threats to the entire world. Pakistan has lost more than 70 thousand lives in the war against terrorism but still Pakistan is struggling to completely vanish this menace. Pakistan's fight against terrorism has brought the country at the brink of collapse because a huge amount of money has spent at such a crucial time when the country was in economic crisis. Pakistan is still dealing with the consequences of war against terrorism, however, the way FATF want compliance from Pakistan it is probably difficult a task.

External Challenges

Since there is anarchy in the world and there is no superlative body to implement international law, world greatest powers use different pressure tactics to manipulate weak states for their own interest. China is not only the world fastest growing economy but is also militarily strong that is directly challenging the US hegemony. To counter China in the region, the US has developed closer ties with India. By supporting India economically and militarily, the US is trying to challenge the status of China as regional power. During Sino-

India clashes in Ladakh in 2021, the US provided fully backing to Indian claims. Additionally, the traditional rivalry between India and Pakistan and Sino-Pak cordial ties which has been further strengthening in the form of CPEC, one of the flagship programs of China's BRI, can be cited as two opposite extremes in South Asian region. Both India and the US are concerned over the deepening ties between China and Pakistan. This is one of the reasons why both India and the US are striving hard to sabotage CPEC. To materialize their objective both the states are using FATF as tool to pressurize Pakistan by placing her in a grey list.

It was very much obvious that the former US president Donald Trump was running his election campaign by building up a pressure on China to revisit its trade and economic policies. He was targeting China by challenging Chinese strategic interests in the world. While challenging Chinese rise in the world the US is also targeting its different economic corridors. Therefore, it is clear that the conflict between these two powerful states is also having its impacts on other relevant actors. Thus, it would not be wrong to say that grey-listed Pakistan in FATF is paying the cost of its economic partnership with China (Saboor et al., 2022).

The other challenge that Pakistan is facing from outside the country is India as it is even trying to put her in the blacklist of FATF. India with other world powers has always tried to lame Pakistan. India is one of the members of the FATF which can easily influence APG. Former prime minister Imran Khan highlighted in various interviews that India is lobbying with international community to push Pakistan in the black list. The campaign of Indian media is pivotal to influence the deliberation of the FATF. To tackle this conspiracy, Pakistan has made efforts so that the International Financial watchdogs take notice of the India lobbying against Pakistan and its efforts to politicize the FATF proceedings (Pervez 2021). In Februarys 2019, India killed 40 low caste officers under a false flag operation and blamed Pakistan without any evidence. In March, India in its hybrid war strategy provided weapons to the parallel body of FATF, the APG, to penalize Pakistan and put her into the blacklist (Chohan 2020).

In March 2019, a detailed report was produced by the Centre for Aerospace and Security Studies (CASS) on the performance and nature of the FATF. According to the report, the organization has a pseudo-legitimate structure having no liability, no remedy for its verdicts, and no such treaties which can make its decisions binding. The report further emphasized that deceitful and double standards is the root cause of economic vehemence through hijacking of the FATF and its FSRB by the countries like India.

FATF is a monitoring organization but its political nature raises questions on the transparency and accountability. For instance,

the parameters to put a country in the white list, grey list or even in a black list depends upon the country's relationship with major regional and global powers. This is very much evident in case of Pakistan as the FATF member states such as UK, USA, Israel, and India craved to put Pakistan in blacklist by making a separate lobby. As the FATF plenary approach, India launched terror attacks in Pakistan i.e., Quetta bombings in January and in February 2020, Ippi shooting on 22 February 2021, and Lahore bombing---Johar Town Blast--- on 23 June 2021. Interestingly, all these incidents took place when FATF meeting was in progress to make evaluation of the efforts made by Pakistan to find a place in a white list. Nevertheless, the effective and evolving foreign policy of Pakistan has enabled it to get the support of the countries like China, Turkey and Malaysia.

One of the reasons of the inclusion of Pakistan in the FATF grey list was Pak-US relations. In 2018 the US department of Defense declared that they would hold the transfer of USD 300 million in military aid to Pakistan. In reply Pakistan affirmed that it is neither aid nor assistance but the money which Pakistan has spent in the war against terrorism. The entire decade has witnessed the corrosion in Pak-US relationship. President Donald Trump speech against Pakistan in 2018 is considered the immediate cause of putting Pakistan in grey list.

Afghanistan & India at Financial Action Task Force Afghanistan

The official in Afghan Banks on June 24, 2017 celebrated the that Afghanistan managed to secure its position in white list of FATF. The government declared that institutions like National Security Council of Afghanistan (NSCA), Attorney General Office, Ministry of Justice etc., played crucial role in bringing Afghanistan out of this grey list. FATF acknowledged the efforts made by Afghan government in the establishment of legal and regulatory framework to meet the standards of FATF to counter the strategic deficiencies identified by FATF in June 2012. But here the important question arises that have Afghanistan fulfilled all the requirements of action plan of FATAF?

Illicit actors in Afghanistan, including terrorist groups, warlords, drug traffickers, and even ex government officials exploit the country laws, and other resources to fulfill their own economic and political objectives (Davis 2022). Afghanistan formal banking system was/is heavily relied on *hundi* or *hawala*, a century's old money transfer system. The economist argues that regulators around the globe do not like the system, because of its nature and contribution to financing terror activities. The Taliban still uses *hawala* system due to the economic sanctions and a very limited financial connectivity in the country (Zarden, 2021). Afghanistan has a very limited formal

financial system, and it remains the same in the post-Taliban takeover (Davis 2022). Not only informal Banking system but other serious deficiencies like money laundering, financing terrorism, and a huge amount of illicit production of drugs and its supply to the external world are found in Afghanistan.

The report published by UNODC in the year 2021, it was recorded the opium production in Afghanistan has increased by eight percent as compared to 2020. USD 1.8 to 2.7 billion was the recorded income in the country from opiates and around 320 tons of pure heroin was exported from the country in the same year (Anon 2021b). Apart from that various terrorist organizations are operating under the Taliban rule in Afghanistan in which senior leaders of Al-Qaida and the Haqqani network are serving the key positions in the Taliban cabinet. The US Department of State has offered a reward of up to USD 10 million for the data leading to Haqqani's arrest (Thomas 2022). In Taliban controlled Afghanistan not only, al-Qaida but other terrorist organizations as well as the self-proclaimed Islamic State in Khorasan are growing in strength that could be again a serious issue for the peace and security of the world and especially for the United States. The recent UN Security Council assessment claimed that "terrorist groups enjoy greater freedom in Afghanistan than *at any time in recent history* (Ap 2022).

India

Not only Afghanistan but India has secured its place in white list of FATF despite of having various deficiencies. India is facing the similar conditions as that of Afghanistan. In India, militants, Money launders, and drug traffickers generate money through illicit means. Drug trafficking is the source through which militants generate money to pursue their activities. 15% of the money used in Kashmir and other parts of the country is generated through drug trafficking (Anon 2015.-a). According to UN report the use of narcotics has increased by almost 30 percent in India from 2009 to 2018. India uses different routes for the trafficking of opium and heroin. Mostly heroin comes through the western part of India from Afghanistan (Patel and Astha 2022). Similarly, human trafficking, tax evasion, corruptions, informal banking systems such as *Hundi* or *Hawala*, and cricket betting are the most profitable means for generation black money in India. While India does not have specific and robust provision to deal and counter such crimes. According to some estimates a total of USD 10.6 to 11.4 trillion are deposited in the Swiss banks that has been generated by illicit means or by corruption (Vicky, 2009).

The generation of money for financing terrorism and its flow from the place where it has generated and then transferred to the final destination involve kaleidoscopic processes, therefore combating and

countering of the crime is a tough job (Garge 2015). There are three major sources of financing terrorism in India, two of them are internal and the third one is external. The biggest source of the internal financing of terror activities remains taxation or more appropriately extortion (Chadha 2015). Apart from that there were 40,000 Non-Governmental Organizations (NGOs) registered with the government of India which received funds from abroad. The easy flow of money to these organizations is a great concern for the security of the state. More than 100 NGOs are placed under observation for financing terrorism and other violent activities by the government of India.

A Comparative Analysis

In this context, the situation of Pakistan is quite different and better but still suffers from international sanctions. The recent FATF plenary again did not recognize the efforts made by the government of Pakistan and retained the country in the grey list. Pakistan has worked on all those areas which were identified by the FATF in 2018. As compared to Afghanistan and India, in Pakistan hardly there remains any such deficiencies that threatens the peace and security of international community or is a threat to the world financial system. In March 2022 meeting, the FATF alleged that Pakistan needs to address concerns relating to investigation and persecution of leaders of UN designated terrorist organizations (Anon 2022). However, the government of Pakistan is claiming that after the meeting steps have been taken in this direction in the form of prosecution of Masood Azhar, sentencing of terror outfit commander Hafiz Saeed, arrests of more than 300 other designated terrorist, and seizure of more than 1100 properties owned by terror groups.

On one side, Pakistan is prosecuting and investigating all those who are designated terrorists by the United Nations, while on the other side, senior leaders of the terrorist groups like Haqqani network and al-Qaida holds key positions in the newly formed cabinet of the Taliban. Statistics show that illicit drug cultivation and production is higher in Afghanistan and India than Pakistan. Terrorist groups are freely operating in Afghanistan than Pakistan. Pakistan has more formal bank accounts in comparison of India and Afghanistan, where in India hawala/hundi is one of the most profitable means of generating black money. While in Afghanistan due sanctions the current Taliban government is relying hawala/hundi system. According to the data released by the State Bank of Pakistan by the end of March 2022, the number of formal bank accounts increased to 66.13 million showing a jump of 6.66 percent when compared with 62 million by the end of same month last year (Shah 2022). Throughout the world economic experts holds that the obscure *hawala* system is one of

the major sources of financing terrorist activities. Drug trafficking is another serious problem in which Afghanistan is at the forefront. United Nations Office on Drug Crimes (UNODC) find out that in 2021 Afghanistan produced more than 90 percent of illicit heroin globally, and recorded more than 95 percent of the European supply.

The dual standards of the FATF are extremely harmful which raises a lot of questions about the transparency of the organization. The only thing that attracts the mind in such situation is that the organization is becoming a tool of international politics; use by the great powers to serve their own interest.

Conclusion

It is assumed that in the present climate money laundering and financing terrorist activities are among the major issues the world is confronting. In the 1980s, the international society started to face some serious problems to the entire economic system of the world which had seriously caused huge damages to the system. The drug trade especially heroin, Cocaine, and crack cocaine reached to its peak.

The outgrowth of these organized crimes especially the illegal drug trade worldwide has not only negatively impacted the financial system but also had contributed to thousands of human losses including police men and politicians.

World powers or developed states often use international institutions to promote their political goals either by pushing a country under economic sanctions or pressurizing a militarily, economically, or political weaker states. In the contemporary political scenario, global powers are using FATF as a political tool to materialize their objectives.

After several meetings and communications of G7 countries, in 1989, the cooperation and efforts resulted the foundation of an organization, the Financial Action Task Force. Although, FATF was established with the intent to promote measures to counter terror financing, money laundering, drug trafficking to secure international financial system. But the practice of this organization making it quite skeptic. On one side, it is taking harsh steps against Pakistan while giving special treatment to states like India and Afghanistan. A close analysis of operations of this organization makes it evident that any action harsh or soft depends on the particular state's relationship with regional and international power. As international law has been made to promote the interests of powerful state and penalize the weaker states in a quite similar manner this organization is prompt to take actions against the weak state and gives special treatment to states having influence in international system.

It is important to highlight that Pakistan's diplomatic woes, as well as the specifics of its grey-listing, cannot be separated from the

role played by the key players. The US and India were crucial in first creating the conditions for Pakistan's inclusion on the grey list and later reaching out to nations to end Pakistan's support in the organization. Additionally, Pakistan's economic problems and diplomatic exclusion at the very time of its inclusion on the grey list proved to be powerful leverage points for FATF pressure.

To be more effective FATF needs to take into account the following points.

- First, the FATF needs to maintain a balance between the competing narratives and perspectives of India and Pakistan.
- Secondly, the FATF should adhere to a non-partisan while fighting against money laundering and terror financing instead of becoming a party for competing geopolitical agendas of different actors.
- Thirdly, the watchdog can be used as an effective instrument for AML/CFT purposes at a global level beyond the case of Pakistan (Shah 2020). As FATF is an international organization having huge importance and scope so, it must ensure transparency, accountability, equality, and not only avoid politics within organization but also ensure investigation against such imorale activities.

References

- Ali, Yasmeen Aftab. 2018. 'Pakistan and FATF Grey List | Pakistan Today'. Retrieved 9 July 2022 (<https://archive.pakistantoday.com.pk/2018/07/03/pakistan-and-fatf-grey-list/>).
- Amin, Musarat, Rizwan Naseer, and Nasreen Akhtar. n.d. 'Pakistan in the FATF Grey -List: Compliance and Policy Readjustments'. 03(1):25.
- Anon. 2021a. '2021 Corruption Perceptions Index - Explore the Results'. *Transparency.Org*. Retrieved 13 July 2022 (<https://www.transparency.org/en/cpi/2021>).
- Anon. 2021b. 'Afghan Opiates Supply 8 out of 10 Opiate Users Worldwide, UNODC Finds, as Experts Meet in Vienna to Combat Illicit Trafficking'. *United Nations: Office on Drugs and Crime*. Retrieved 13 July 2022 (<https://www.unodc.org/unodc/en/press/releases/2021/November/afghan-opiates-supply-8-out-of-10-opiate-users-worldwide--unodc-finds--as-experts-meet-in-vienna-to-combat-illicit-trafficking.html>).
- Anon. 2022. 'Jurisdictions under Increased Monitoring - June 2022'. Retrieved 13 July 2022 (<https://www.fatf-gafi.org/publications/high-risk-and-other-monitored->

- jurisdictions/documents/increased-monitoring-june-2022.html).
- Anon. n.d.-a. '10_india.Pdf'.
- Anon. n.d.-b. 'APG-1st-Follow-Up-Report-Pakistan-2020.Pdf'.
- Anon. n.d.-c. 'APG-2nd-Follow-Up-Report-Pakistan-2021.Pdf'.
- Anon. n.d.-d. 'APG-Mutual-Evaluation-Report-Pakistan-October 2019.Pdf'.
- Ap. 2022. "'Terrorist Groups' Enjoy Freedom in Afghanistan: U.N. Experts'. *The Hindu*, February 8.
- Chadha, Vivek. 2015. *Lifeblood of Terrorism: Countering Terror Financing*. New Delhi: Bloomsbury Publishing India Pvt. Ltd.
- Chohan, Usman W. 2020. 'The FATF & Pakistan: A Timeline'. *SSRN*. doi: <https://dx.doi.org/10.2139/ssrn.3542772>.
- Davis, Jessica. 2022. 'Illicit Financing in Afghanistan: Methods, Mechanisms, and Threat-Agnostic Disruption Opportunities'. *SOC ACE* 7.
- Garge, Ramanand. 2015. 'Combating Financing of Terror: An Indian Perspective'. *Vivekanda International Foundation* 27.
- Ghuman, Mustaq. 2018. 'Hundi/Hawala Prevention: Amendments to Rules & Regulations Finalized – Business Recorder'. Retrieved 9 July 2022 (<https://fp.brecorder.com/2018/12/20181224433974/>).
- Gul, Shabnam, and Muhammad Faizan Asghar. 2021. 'FATF & Terror Financing: The Perspective of Pakistan'. *Global Economic Review* 06(02).
- Karim, Shahid, and Usman Hayat. 2018. 'Pakistan on FATF's Grey List: What, Why, and Why Now?' Retrieved 13 July 2022 (<https://www.dawn.com/news/1418143>).
- Kiani, Khaleeq. 2020. 'FATF to Decide about Pakistan Status This Month'. *DAWN.COM*. Retrieved 9 July 2022 (<https://www.dawn.com/news/1583295>).
- Noor, Sitara. 2019. 'Pakistan's Political and Diplomatic Challenges at the 2020 FATF Plenary'. *South Asian Voices*. Retrieved 13 July 2022 (<https://southasianvoices.org/pakistans-political-and-diplomatic-challenges-at-the-2020-fatf-plenary/>).
- Patel, Ketan, and Pandey Astha. 2022. 'Drug Trafficking: A Growing Problem for India'. *Asian Journal of Forensic Science* 01.
- Pervez, Bakhtawar. 2021. 'Pakistan on FATF's Grey List: Challenges and Way Forward'. *International Institute for Global Strategic Analysis*. doi: 10.6084/m9.figshare.14777199.
- Qarar, Shakeel. 2019. 'FATF Compliance Unit Established in FIA'. *Dawn*.
- Saboor, Abdul, Ali, Sikander & Bhutto Mir Murzata. 2022. 'US-China Strategic Rivalry in South Asia: New Challenges for Pakistan'. *Pakistan Journal of International Affairs*.

- Shah, Abdur Rehman. 2020. 'India and Pakistan at the Financial Action Task Force: Finding the Middle Ground between Two Competing Perspectives'. *Australian Journal of International Affairs* 75(02).
- Shah, Hamza. 2022. 'Total Bank Accounts in Pakistan Grow to 66.13 Million'. *Pkrevenue.Com*. Retrieved 13 July 2022 (<https://pkrevenue.com/total-bank-accounts-in-pakistan-grow-to-66-13-million/>).
- Shelley, Louise, and Naglaa Hussain. 2010. 'Narco-Trafficking in Pakistan-Afghanistan Border Areas and Implications for Security'. *Counterterrorism & Counterinsurgency in South Asia*.
- Thomas, Clayton. 2022. *Terrorist Groups in Afghanistan*. IF10604. United States: Congressional Research Service.
- Wolf, Siegfried O. 2019. 'COMMENT 155 - A Papyrus Victory: Pakistan's Latest Escape from the FATF's Blacklist'. *SADF*. Retrieved 13 July 2022 (<https://www.sadf.eu/comment-155-a-papyrus-victory-pakistans-latest-escape-from-the-fatfs-blacklist/>).