

## Institute of Regional Studies

### Spotlights

5.4.2019

#### Can FATF's Looming Black Cloud have any Silver Lining?

Financial Action Task Force (FATF, 1989) is not UN. **Pakistan came off its 2012-15 grey list** (US-led) by improving legislation. Just before general elections in 2018 FATF again grey-listed Pakistan. We took all five prescribed actions ahead of its first review. Nevertheless, in January 2019 the Indian Member accused us of funding eight proscribed organizations, aiming blacklisting to:

- Jeopardize IMF's Lagarde-Imran Khan's Dubai talks for extended economic support;
- Make difficult repayment of external debt that consumes 30% of Pakistan's GDP;
- Downgrade by Moody's, S&P and Fitch, affecting IMF, World Bank, ADB loans;
- Cause Pakistan's stock market to fall;
- FDI, about 10% of the \$300 billion GDP, would fall;
- China is likely to grasp to expand its investment footprint;
- "Due diligence" by banks will hamper trade and all monetary transactions;
- **Cause remittances to decline;**
- Make expatriates face personal scrutiny for transactions with a blacklisted country.
- Force foreign traders to abandon Pakistan, as it is not a trading powerhouse.
- Cause shocks across Pakistan's economy most reliant on international trade, disrupt advance planning and push many businesses to collapse and lose employment.

#### Brighter side: Required 3 supportive FATF members can prevent blacklisting.

Monetary support is **pledged** by West Asian nations like Saudi Arabia and UAE.

Negotiate new bank methods with each ME country for **expatriate Pakistanis'** remittances and travel.

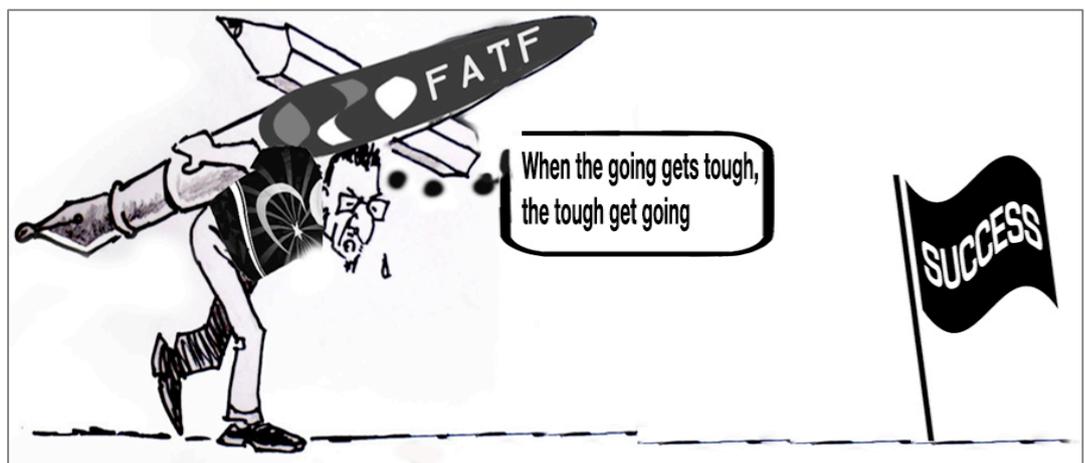
**Saudi Arabia** is on board notably to finance an oil refinery, implying ignoring Pakistan's trade with Iran and UAE. It's plan to modernize Pakistan's economy as part of a broader Asian integration.

**Qatar** has granted Pakistan, Turkey and Iran visa on arrival and joint business forums, valuing them for helping it withstand embargos by other Gulf States since 2017. Qatar invested heavily in the Iranian South Pars gas field and can provide capital for Pakistan to construct its side of the pipeline without interruption by Gulf politics.

The **Iran-Pakistan** gas pipeline by sea will reduce costs; encourage smuggled fuel enter legit economy. Direct channels for Pakistani and Iranian banks would facilitate trade. Pakistan may even displace Indian food exports to Iran.

Overall, Pakistan's **robust agriculture** sector can feed us and increase exports by cutting red tape.

**History teaches that inward-looking nations innovate to progress – and with equality.**



## Information from FATF website, where Pakistan has the longest paragraph:

- Pakistan does not demonstrate a proper understanding of the TF risks posed by Da'esh, AQ, JuD, FiF, LeT, JeM, HQN, and persons affiliated with the Taliban.
  - TF investigations and prosecutions target designated persons and entities, and persons and entities acting on behalf or at the direction of the designated persons or entities.
  - Pakistan should demonstrate that remedial actions and sanctions are applied in cases of AML/CFT violations. (abstract)
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- **North Korea and Iran** in “Jurisdictions with strategic AML/CFT deficiencies for which a call for action applies “
  - 2018 Grey List: The Bahamas, Botswana, Cambodia, Ethiopia, Ghana, Pakistan, Serbia, Sri Lanka, Syria, Trinidad & Tobago, Tunisia and Yemen in “Jurisdictions with strategic AML/CFT deficiencies for which they have developed an action plan with the FATF”

**FATF members** (Pak friends highlighted): Argentina, Australia, Austria, Belgium, Brazil, Canada, **China**, Denmark, Finland, France, Germany, Greece, Hong Kong (China), Iceland, India, Ireland, Israel, Italy, Japan, Korea, Luxembourg, **Malaysia**, Mexico, Netherlands, New Zealand, Norway, Portugal, Russia, Singapore, South Africa, Spain, Sweden, Switzerland, **Turkey**, the United Kingdom, EU and the United States. Observers: Saudi Arabia and Indonesia.

**Reminder: April 24-25, 2019**

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*Fake News & Facts in Our Region*