

India to push FATF to place Pak back on 'grey list'

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New Delhi, 23 May

India is set to submit a dossier at the upcoming Financial Action Task Force (FATF) meeting, calling for Pakistan to be placed back on the grey list of the global money laundering and terrorist financing watchdog, said a senior government official.

“India will highlight multiple commissions and omissions by Pakistan, such as restitution of money, hosting terrorists, and buying military equipment with development funding. Pakistan has also failed to pass promised laws (such as Anti-Terrorism (Amendment) Bill, 2020). It should be sent back to the grey list by FATF,” said the official who did not wish to be named.

The FATF grey list flags countries with “strategic deficiencies” in countering money laundering and terror financing. Re-entry into the list could have far-reaching consequences for Pakistan, including diminished foreign investment, increased borrowing costs, and tighter scrutiny from global financial institutions.

Pakistan was removed from the grey list in 2022 after the FATF acknowledged its progress in strengthening its anti-money laundering (AML) and counter-terrorist financing (CFT) frameworks.

After the April 22 Pahalgam terrorist attack, India has stepped up pressure on Pakistan both militarily and economically. However, the official indicated that the government did not anticipate any “big additional demand” for defence spending in the current financial year.

“The defence ministry has granted emergency procurement powers to the armed forces,” the official said. “Strategic requirements of the country will never be left wanting.”

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India to oppose Pak's loan proposal at World Bank

India will also oppose Pakistan's upcoming loan proposal at the World Bank, the official confirmed. "As long as Pakistan doesn't take any action, we will raise our voice."

Earlier this month, India voiced strong objections to a new lending proposal for Pakistan at the International Monetary Fund (IMF) board meeting on May 9. Despite India's opposition, however, the IMF approved the \$1 billion loan, citing Pakistan's compliance with all technical conditions.

The official noted that Union Finance minister Nirmala Sitharaman had raised the matter with IMF Managing Director Kristalina Georgieva before the May 9 meeting, urging her not to take up the loan proposal for Pakistan amid tensions along the border between the countries. "However, India was informed that Pakistan qualifies the technical conditions and it is up to the members to take a final call," the official said.

According to sources, Pakistan allocates around 18 per cent of its general Budget to "defence affairs and services", significantly higher than the average 10-14 per cent observed even in conflict-affected countries. Moreover, between 1980 and 2023, Pakistan's arms imports reportedly rose by more than 20 per cent during periods it received IMF disbursements compared to the years when it did not.