
PAKISTAN BLAMES THE U.S. FOR ITS RETURN TO A TERROR FINANCING WATCH LIST

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When officials here learned last month that Pakistan was in danger of being sanctioned by a global task force on terrorism financing, they sprang into action.

After quickly amending national anti-terrorism laws, the government ordered a financial crackdown on several controversial Islamist groups. Most notably, officials moved to seize the assets of a charity controlled by Hafiz Mohammad Saeed, a fiery anti-India cleric who was accused of masterminding a 2008 terrorist siege in Mumbai that killed 166 people.

It didnt work.

The Financial Action Task Force, meeting in Paris for deliberations that were marked by geopolitical intrigue and byzantine procedures, voted to place Pakistan on a watch list of countries that had failed to take enough measures to stop U.N-designated terrorist groups from gaining access to funds.

The panel, which has no enforcement powers but wields considerable influence on international investors and lenders, gave Pakistan three months to tighten controls on money laundering and transfers to banned organizations, or it will be put on a gray list that could affect access to foreign capital, remittances and credit.

Pakistani officials immediately blamed the United States, which has long criticized Pakistan for failing to rein in militant groups that oppose Afghanistan and India.They accused Washington of pressuring other countries on the task force to vote against Pakistan.

The real aim of this politically motivated move is to hamper Pakistans economic progress, the Foreign Ministry spokesman, Muhammad Faisal, said at a news briefing here. Miftah Ismail, the government finance adviser at the meeting, said the intent of Washington and its allies was to embarrass Pakistan.

In an interview Thursday, Ismail said that Pakistan needs more time to implement complex financial controls but that it has worked hard to counter terrorism and money laundering. He said that there was no chance of Pakistan facing punitive sanctions from the task force but that being gray-listed alone could damage its image and reputation.

Pakistan has been on the gray list before, from 2012 to 2015, for failing to establish rigorous controls on money flowing to extremist groups. Ismail said Pakistans economy did not suffer unduly during that period, although the impoverished country of 207 million remains heavily dependent on foreign aid, loans and cash remittances from workers overseas.

This time, though, the actions of the obscure but influential watchdog may have more serious implications. Analysts said that Pakistan, which has been trying hard to cultivate new foreign partners as its relationship with Washington sours, could end up more isolated instead.

During the deliberations in Paris, Pakistan was initially defended by China and Saudi Arabia, its two most powerful allies and economic partners. But after diplomatic consultations and a second round of voting, the Saudis switched their vote and China abstained, tipping the balance enough to put Pakistan back on the watch list.

It was a stark lesson in realpolitik for Pakistan, which has been relying on support from these regional powers to replace Washington, its one-time Cold War ally. Two months ago the Trump administration suspended all military aid to Pakistan, saying it had not done enough to stop sheltering Taliban insurgents. After the vote in Paris, Pakistan seemed more isolated than ever.

This was not a unilateral American pressure tactic, it was a consensus decision by like-minded nations that was not opposed by Pakistans close friends, said Michael Kugelman, a Pakistan expert at the Woodrow Wilson International Center for Scholars in Washington. For all the speculation that Washington may use coercive means to compel changes in Pakistans behavior, this move may signify a very different type of precedent.

While officials here were protesting and pointing fingers, some Pakistani analysts said the government had only itself to blame. For years, Pakistan has nurtured and appeased certain

militant Islamist groups and leaders, who serve as proxies in Pakistan's permanent conflicts with its neighbors, India and Afghanistan. It has defied international calls to curb their activities or made short-lived gestures against militant leaders under foreign pressure.

The best known is Saeed, who once headed the Lashkar-e-Taiba (Army of the Pious) militant group, which carried out the Mumbai siege. Both the United Nations and the United States list him as a terrorist. In Pakistan, he has been allowed to continue preaching but has been periodically put under house arrest — most recently a year ago, when Pakistan feared it would be included in Trump's plan to ban visas for citizens of some Muslim countries.

But Saeed, who commands a large public following, was released in November. He has sanitized his record by changing his movements name to Jamaat-ud-Dawa (the Society for Preaching) and creating a charity that provides humanitarian relief. It was not until last month, with the threat of task force action looming, that the government suddenly took action, banning the charity and moving to seize its funds.

The task force members, having observed such eleventh-hour gestures before, insisted that the government should have acted sooner and more systematically to shut down the pipeline to Saeed and other extremist militants. China and Saudi Arabia, which have enormous investments in Pakistan and have often defended it against international critics, apparently decided to draw the line.

Pakistani policymakers need to ask themselves how the sponsors of the motion got China and Saudi Arabia to change their minds, said Khurram Hussain, a prominent financial analyst. Are we increasingly getting isolated, and why? We need to put our house in order, and to realize that the use of militant groups as a tool of foreign policy is hurting the country badly. We need to take genuine steps against these groups.

Pakistani officials said they are drawing up an action plan that should satisfy the task force and forestall any harsher measures. But they must also balance the popular support for groups like Jamaat-ud-Dawa — which has recently begun running candidates for Parliament — with a high-stakes national election planned next year and religious fervor sweeping the country.

Hussain and other experts said Pakistan's economy, now growing at 5 percent a year, should weather the current storm. But Kugelman said it has vulnerable signs, such as heavy debts to China and declining foreign reserves. He also noted that being on the watch list may make banks and investors think twice, and that temporary gestures like detaining Saeed will no longer be enough to avoid a reckoning that is long overdue.

Shaiq Hussain contributed to this report.

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