



**Monday, July 7 2025**

## **The grey list and Pak's terror tail**

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Pakistan's continued support from its military and political leadership for terrorists internationally recruited, and sheltered and trained on its soil, has become well known. Field Marshall Munir, Pakistan's Chief of Army Staff, once again raised the Kashmir issue, just two months after Operation Sindoor. Addressing the cadets at Pakistan Naval Academy passing out parade on June 28, he reaffirmed support to Kashmir for what he termed the "legitimate struggle" of the Kashmiri people. He called the April Pahalgam shooting as Kashmiris' freedom struggle by Kashmiris, despite knowing it was carried out to by his cross-border terrorists from Pakistan. . Obviously his remarks were emboldened by public praise from US President Donald Trump during a lunch hosted in recognition of Munir's efforts to halt the Operation Sindoor.

At the political level, last week India refused to sign a joint statement at Shanghai Cooperation Organization (SCO) Defence Ministers' meeting over the issue of terrorism. Defence Minister Rajnath Singh objected to the attempts by China and Pakistan to drop references to Pahalgam shooting. Further, reports Pakistan is covertly secretly rebuilding terror infrastructure with sophisticated technology

On May 9, the International Monetary Fund (IMF) held its monthly Board meeting took two decisions, on providing financial assistance to Pakistan. During the Board debate, India voiced its objection saying Pakistan has been diverting loan funds to support cross-border terrorist activities. As IMF procedures do not allow a formal 'no' vote, India abstained. With no other country objecting, the IMF decided in favour of Pakistan. A total of \$ 2.4 billion was made available ( as the second tranche of the bailout loan approved last September and a new loan.)

Pakistan ranks fifth among the top ten most indebted IMF member countries. As of with the rank at five. As of May 19, its total credit outstanding credit is \$6.86 billion. The May 9 loan marked

the 25th instance, aimed at settling old debt burdens (principal and interest). Pakistan has failed to implement the required reforms and IMF have been largely wasted. On the other hand, India is not a debtor to IMF since 2001, having its loan obligations cleared from the two loans taken in 1991 and 1993 to avert a financial crisis

The world now recognizes that the cross-border shootings which killed 26 tourists were instigated by Pakistan. Such activities are often overlooked, whose responses guided by own self-interest, trade, and military assistance relationship,. As a result, terrorist- related activities are frequently met with silence.

In this context, the Financial Action Task Force (FATF), though not a UN organization does great service. Established in 1989 by G-7 countries. FATF sets international standards for combatting financial crimes , including money laundering and terrorist financing by identifying such countries.

While the FATF lacks legal authority to prohibit any UN member state from receiving funds from international institutions, it wields considerable influence in delaying loan approvals. FATF is known for its regular and thorough verification of evidence in annual plenary sessions and specially designated committees.

FATF maintains two lists: a blacklist of countries that failed to comply with international standards, and a grey list of countries that are under heightened scrutiny. Pakistan has been placed on the grey list, three times and subsequently removed (during February 2008-12 ,February 2015-17 and October 2019-22.)

With limited options, India turned the FATF. On May 23, it submitted documents to FATF related to April 22 Pahalgam incident urging the re-inclusion in the grey list for violations of terrorist financing regulations. FATF is expected to will consider India's plea in its upcoming Plenary meeting in October.

On June 16, 2025 FTAF released a report on summarizing results of a year - long study on *Strengthening Efforts to Combat Terrorist Financing*. With specific reference to April Pahalgam attack , it noted : "Terrorist attacks kill, maim and inspire fear around the world. The FATF notes with grave concern and condemns the brutal terrorist attack in Pahalgam on 22 April 2025. This, and other recent attacks, could not occur without money and the means to move funds between terrorist supporters."

At the end of their July 1-2 meeting, the foreign ministers of the four- nation group of maritime nations (Australia, Japan, India and US), known as QUAD, which is committed to a free, secure and Indo-Pacific region at the end of their meeting ( July 1-2) issued a joint statement. Among other things, they expressed their condemnation of the Pahalgam shootings . Apparently, they left the task of naming the perpetrator to FATF, which has got the dossier on Pakistan's involvement.

*( The writer is a former senior economist, Asian Development Bank)*