



The Ineffectiveness of the FATF

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BESA Center Perspectives Paper No. 1,557, May 10, 2020

EXECUTIVE SUMMARY: The Financial Action Task Force (FATF) recently added Iran to its Black List as a means of increasing pressure on the regime to stop financing terror. While this belated decision was a good move, it is unlikely that it troubled Tehran particularly. Iran has been on the Black List before and been removed from it despite its persistent state sponsorship of terror, which goes back decades. The plenary continues to ignore the terror financing of numerous other states as well as Iran, including Qatar and the Palestinian Authority, rendering its effectiveness minimal.

The Financial Action Task Force (FATF), an intergovernmental organization founded in 1989 by members of that year's G7 Summit, convened not long ago to discuss global developments in illicit financial terrorist dealings and money laundering. Since 2000, the FATF has issued Black and Grey Lists of international bodies deemed, respectively, "non-cooperative" or in need of regular monitoring. Member states are urged to issue sanctions and "counter-measures" on countries not supporting the eradication of terror-financing/money laundering practices. The group establishes and purports to enforce international regulatory standards and policy recommendations for state-assisted terror-financing and money laundering.

The prime question at the conference was whether or not to move Pakistan and Iran from the Grey List to the Black List, where they would face maximum pressure campaigns in an effort to cripple their terror infrastructures and resources. At year-end 2019, the only state on the Black List was North Korea.

At the conclusion of the plenary, Pakistan stayed on the Grey List on condition that it complete an action plan laid out by the FATF by June 2020.

We've seen this before: Pakistan was fresh off an earlier four-month extension from the FATF's October 2019 plenary at which the body concluded that should Islamabad fail to make significant progress by February 2020, Pakistan would be blacklisted. As of October, Pakistan had met only five of the 27 criteria previously laid out by the FATF for remaining "Grey," and government agencies remain inextricably associated with regional terror commands.

Since at least the mid-1990s, Pakistan has robustly sponsored the Taliban militia, supplying arms and funds in a concerted attempt to assert influence in Afghanistan and allowing corruption among military officials and ISI (Pakistani intelligence) operatives that is thought to have aided anti-Indian terror factions. Daniel Byman of the Brookings Institution wrote in 2008 that "Pakistan is probably today's most active sponsor of terrorism," and there's little indication that much has changed.

Yet the FATF extends unending leniency to Pakistan and other states by choosing not to blacklist, de-incentivizing progress, and reducing FATF guidelines to mere suggestions, devoid of repercussions for failure to comply. True, its mission is essential to defunding terror regimes and achieving maximum collaboration on an increasingly global threat. However, the soft-handedness with which the FATF conducts itself in terms of applying pressure to foreign powers indicates a less-than-adequate effort at rooting out terror financing. By extending the timeline within which non-cooperative countries such as Pakistan must comply with guidelines, not only does FATF lose legitimacy, but terror organizations are able to continuously reap benefits of state funding. For localized, smaller terror groups, an additional four months of state sponsorship could facilitate an additional three years of terror. A meandering, toothless FATF keeps terror groups alive.

A more positive outcome of the plenary was that Iran was put back on the Black List, entailing probable added pressure on the regime to divest from terror activities.

Iran has a long history in the global orchestration of terror and continues to wreak havoc on the Middle East, Asia, and other regions. Hezbollah, which is wholly funded by Iran, dominates the sociopolitical landscape of Lebanon and is estimated to maintain an arsenal of well over 100,000 rockets that are armed and pointed at Israeli urban centers. The regime likewise funds and trains Hamas and Palestinian Islamic Jihad, the Gaza-based groups responsible for impoverished living conditions for Gazans and nearly 500 terror attacks on Israel since 2015. Iranian government officials routinely incite against and assail America, Israel, Jews, and more—burning flags in town squares and condoning the plethora of terror attacks carried out at the

behest of the Supreme Leader. Iran's Islamic Revolutionary Guard Corps (IRGC) is internationally recognized as a terror body, and its robust long-range missile and progressing nuclear programs pose unprecedented global threats.

The decision to blacklist Iran is well and good. However, Iran's terror ties are so overt, and have been for decades, that it should never have been off the list in the first place. Its status on the Grey rather than the Black List gave it breathing space to economically recuperate and further develop its vast terror infrastructure.

The FATF eases rather than increases pressure on terror-sponsoring states—in fact, it never applies it to begin with. A host of countries with immense capital and robust terror affiliations have been blatantly disregarded by the body, which looks aside as they stir up terror without fear of condemnation. Most prominent among them is the Qatari regime. In true antisemitic fashion, Qatar doesn't allow Israelis within its borders, and it maintains royal monetary and personnel ties to al-Qaeda, ISIS, Hamas, Iran, and more. The Emir and his family have doled out billions in support of Hamas terror efforts in Gaza and millions to al-Qaeda, and several members of the royal family have been directly implicated in terror plots.

The Palestinian Authority similarly enjoys free rein to grow their Martyr's Fund, a governmental program to provide income to the families of terrorists, offering more cash according to length of prison sentence and a maximum if the martyr dies in the act of killing.

This practice, like others that promote terror against the State of Israel, warrants no mention by the FATF. Neither Qatar nor the Palestinian Authority has ever been on a Grey List, which is intended to monitor countries with developing terror-financial ties, let alone a Black List. As it blatantly ignores the efforts of a host of nations to facilitate terror funding, the FATF's scope is severely narrowed. Major terrorist havens are unaffected by its policies.

The FATF's halfhearted attempts at addressing the problem of money laundering and terror financing reveal an unwillingness on behalf of the international community to combat the rise of terror in a serious way. The FATF's purported mission of ending global terror financing and money laundering will remain a non-starter until it devotes itself in earnest to cutting down the looming terror threat.

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