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**Global finance and corruption**

The US has listed Afghanistan, India, and Pakistan as huge money-laundering jurisdictions in the Basel AML Index. The index ranks money laundering and terrorist financing risks around the world.

George Monbiot, writing for ‘The Guardian’, states that Jason Hickel points out in his book ‘The Divide’, theft by officials in poorer nations amounts to between $20 billion and $40 billion a year. But this figure is dwarfed by the illicit flows of money from poor and middling nations that are organized by multinational companies and banks. The US research group Global Financial Integrity estimates that $1.1 trillion a year flows illegally out of poorer nations stolen from them through tax evasion and the transfer of money within corporations.

The irony is that these developed countries call out developing nations for corruption but never accept their part in enabling this corruption. Often these are countries where kleptocrats seek refuge after laundering millions at the expense of the poor taxpayer.

Money laundering would not be possible without the big banks, lenient company registration laws, and lawyers for protection that these countries have to offer.

FATF, Basel AML Index, and Transparency International are all products of these developed rich countries. These products fail to highlight this corruption enablement industry and how much money the industry makes by enabling money-laundering. They do not give out rankings for the top ten corruption-enabling countries. Neither do we see FATF crippling the G7 by putting them on a grey or black list if they do not clean up their house with regard to the enablement industry.

Ronojit Banerjee, who writes about money laundering in the EU, states that in this competitive world, bank officials are under increasing pressure to bring in new business and increase profits. Indeed, it is suggested that the only reason why many Western banks stay afloat is because of the money laundering services they offer and perform. This can be exemplified by the case of the Bank of Credit and Commerce International (BCCI). In this case, the bank needed to earn profits to cover up the huge losses from loans and trading and the simple solution of money laundering provided an easy way of doing this.

The second conflict is that certain banks and countries have a competitive advantage in providing private banking services – client confidentiality. Bank secrecy laws exist in fifty nations around the world and for such banks, this is a necessity for attracting clients. Any moves to abolish or continually override such laws are likely to be strongly opposed.

Oliver Bullough in his article titled, ‘How Britain can help you get away with stealing millions: a five-step guide’, states that when it comes to financial crime, Britain is your best friend. Oliver states that if you want to create an impenetrable weapon for committing fraud: first, forget about the supposed offshore centers and come to the UK; then take advantage of the super-easy Companies House web portal; then enter false information, and finally, make sure that information is plausible enough to deceive a casual observer. The fifth step is not to worry as there is not much oversight as hardly anyone has ever been held accountable.

So, what exactly can Pakistan do to combat money-laundering apart from what it is already doing?

First is the foreign policy front, since we are trying to invest in improving our soft image. Our foreign policy should make room to highlight Pakistani kleptocrats that have laundered money and have established assets in these corruption-enabling countries. The foreign ministry should work, with its counterparts in these enabling countries, to collect more data on the dealings of these kleptocrats. Then we can highlight how much has been looted from the taxpayers and brought into these enabling countries.

Furthermore, we should contribute resources to the exposition of kleptocrats around the world. Doing so will show that we are a responsible country that is not only bent on rooting kleptocracy from its ranks but also other countries. Pakistan should work with other governments against this international enablement industry to prevent the layering of money by exposing the enablers. We should also work with the banks of these countries to blacklist known kleptocrats and their allies so they cannot use these banks again.

Second, our foreign policy should also accommodate and work with key government figures who propose plans to fight global financial corruption. Senator Elizabeth Warren of the US is one such figure; in her plan, she has proposed collecting standardized identifying information about the ultimate beneficial ownership of every corporate entity created across the US. To increase understanding of the web of companies operating in the US and help to end America’s status as a global facilitator of money laundering. Even though, it would be unconventional to make an individual ally like Senator Warren, in the long term an ally like Senator Warren can help us in other foreign policy endeavours as well.

Lastly, things we can do at the home front: we should amend the Extradition Act 1972 to include money laundering as an extraditable offence. The present government, instead of hopeful statements, should double down on its effort to make extradition treaties with countries like the UK and UAE. It is common knowledge that the UK and UAE seem to be a hotbed for Pakistanis who launder money, and as their go-to places for refuge.

The present government and those who come into power later should reform the image of NAB as a political tool and ensure that it operates without any political bias and or agenda. Believe it or not, there is actual work to do instead of shouting about punishing corrupt leaders. This work involves closing existing loopholes leading to money-laundering. The government did take this initiative by deciding to repeal the Protection of Economic Reforms Act (PERA) of 1992 and the Foreign Private Investment Act of 1976. However, nothing has transpired. The government urgently needs to do better on the delivery front and to work on staying consistent with its promises.

Sections 5 and 9 of the PERA and Section 111(4) of the Income Tax Ordinance guarantee immunity from disclosing the source of assets. It is loopholes like these that need to be closed. It would also be of importance to note that Section 111(4) of the Income Tax Ordinance enables whitening black money through foreign remittances. It would be in our best interest to get rid of such enablements in the law.

In conclusion, as James Crabtree, author of ‘Billionaire Raj’, says: there is a double standard in the way we view corruption in the world. People look at countries like India and say these are corrupt countries; however, this corruption would not be possible without seemingly respectable international finance. Money launderers need international banks to funnel money abroad, international lawyers, tax havens to host shell companies. So, the grand corruption we see in countries like India works hand in glove with a more anonymous form of corruption. This corruption is created in rich countries like Britain or Switzerland and or America.

Accountability should be across the board and as important as it is to rid Pakistan of corruption; countries which enable corruption should share the blame equally with us.

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