

# QUESTION

Pakistan is out of grey list, critically evaluate steps taken by Pakistan and their implications.

## INTRODUCTION:

Pakistan came out of grey list of FATF on 21<sup>st</sup> Oct ~~2008~~ 2022. Although, the country had been put into grey list twice before i.e. in 2008 and 2012, but this time the toughest goals were set for Pakistan to achieve. Initially there were 27 targets which in 2021 were increased to 34. Pakistan completed all these 36 targets by making policies in the banking system, reforming institutions, enhancing role of FBR, reforming money exchange and much more. This proved to be a blessing in disguise for Pakistan as it had a lot of positive impacts on the country.

# REASONS FATF PUT PAKISTAN IN GREY LIST

There were three major reasons for which Pakistan was put under FATF grey list: money laundering, terror financing and lack of criminal justice system.

FATF reasons to put Pakistan in Grey list

Money Laundering

Terror Financing

lack of criminal justice

## STEPS TAKEN BY PAKISTAN

### 1) REFORMS IN BANKING SECTOR

A lot of reforms in the banking sector was done and with the help of FIA, crack down done against 'benami accounts'

## A) ACTION AGAINST FAKE ACCOUNTS

Banking system of Pakistan had lots of loops and holes in the Banking sector. A lot of accounts were fake. A crackdown by the FIA with the assistance of ISI, MI, IB and FBR was done. All fake accounts were frozen and action was taken against those accounts and several were imprisoned. These included both accounts that were involved in terror financing and accounts that were involved in the money laundering.

## B) DIGITIZED THE PHENOMENON OF BARCOUNT OPENING

Previously, it was very easy for the opening the accounts, ID card was enough. However, the Banking system was digitized with all necessary documents required for opening an account along

with the electronic thumb impression,

c) Business account to be made under the name of company

Moreover,

it was also made compulsory for the business account to be named under the name of the company (private limited company)

## 2) REGULATED MONEY EXCHANGERS

Money exchangers, also known as Hawali and Hunda were also regulated. Around 400 accounts were closed and more than 800 accounts were involved in the terror finance. FIA was given this duty which was facilitated by the other intelligence agencies of the country: ISI, MI, IB. Moreover registration of money exchangers were also done.

### 3) REGULATION IN IMPORT AND EXPORT PHENOMENON

The import and export businesses were also regulated and it was made compulsory for the company to have a LC (Letter of Credit). Due to it, the both the importer and the exporter needed LC from their respected banks in order to do business. The business practice was not followed in Pakistan till 2022.

### 4) CHANGES IN REAL ESTATE

Many real estate companies in Pakistan were not registered. They along with other societies were made compulsory to be registered otherwise their files would have been cancelled. Moreover, the worth of the property was to be decided by the FBR and any property whether it be plaza, plot were to be confiscated until it was benami.

## 6) CRACKDOWN AGAINST THE MILITANT ORGANISATIONS

A crackdown against the militant organizations, like Jihadist group in Kashmir, were carried out and in figures like Hafiz Saeed & Masood Azhar were arrested.

## IMPLICATIONS ON PAKISTAN AFTER REMOVAL FROM FATF'S GREY LIST

The grey list of the FATF proved a blessing in disguise for Pakistan. It completed all 36 demands of FATF and made extraordinary reforms in a small span of time.

## 1) SOFT IMAGE OF PAKISTAN PROJECTED

A soft image of Pakistan was projected world wide. Pakistan's image had been tarnished

in the past and it was seen as a country who finances terrorism. But after successful implementation of policies its image is being improved.

## 2) INSTITUTIONAL REFORMS

A lot of institutional reforms were done by Pakistan. FBR was reformed. Moreover (POS) Point of Sale and Track and Trace system introduced in the industries proved beneficial as the evasion of taxes by the industries were caught. Due to these reforms of the FBR, Economy was documented

## 3) EMPOWERMENT OF SECURITY AND EXCHANGE COMMISSION

Security and Exchange commission of Pakistan has been empowered as a lot of

increase in the number of registered businesses can be seen. From 2018-2022 more than twice the number of previous registered companies registered themselves.

#### 4) MONEY EXCHANGERS BUSINESS WAS CONTROLLED

Money exchangers in the past has been not regulated in the past and were the means of money laundering. However with the policies being adopted those money exchangers are now being registered with less chance of money laundering.

#### 5) IMPROVED TRUST OF FOREIGN INVESTORS

Due to all these policies, the trust of the foreign investors have been restored and it will bring a lot of



opportunities from the foreign investors. These opportunities will further increased the employment opportunities and will help in uplifting the economic status of Pakistan.

## CONCLUSION:

Pakistan completed all 34 tasks asked by FATF by and got removed from grey list. Pakistan did a lot of reforms and took special steps to reduce money laundering and terror finance. And these had a positive impact on the Pakistan's economy as well as on Pakistan's image.

# QUESTION

US and Europe retaliated with sanctions on Russia's hydrocarbons after it attacked Ukraine. Critically evaluate its implications on global energy market and increasing price hike in Europe. Also analyse the options with Europe and Russia.

# INTRODUCTION

Russia-Ukraine war has become much more than just an irrendentist dispute as the whole world is facing the consequences of this war. Russia being the world's largest gas producer and exporter witnessed sanctions from the west on its hydrocarbon exports. This not only effected Russia, but had an immense effect on Europe; because it is overwhelmingly dependent upon Russia for oil and gas. Moreover, this crisis has been transferred from global north to global south as well.

# RUSSIA - UKRAINE WAR ~ AN OVERVIEW

Formerly Ukraine had been a part of USSR. After the disintegration of USSR, the deal signed with NATO and US was that NATO would not give membership to the former USSR states, however it was violated in the late 90s and early 2000s and Russia retaliated in the shape of Georgian Crisis. Then again in 2014, Crimea was annexed.

## A) ZELINSKI IN POWER WANTING NATO AND EU MEMBERSHIP

Since Zelinski came in power in 2018, he had been closing ties between Ukraine and EU and had formerly asked for the membership of NATO. This was unacceptable to Russia and it attacked Ukraine in February 2022.

# SANCTIONS ON RUSSIA, GLOBAL ENERGY MARKET

## A) SANCTIONS ON RUSSIA :

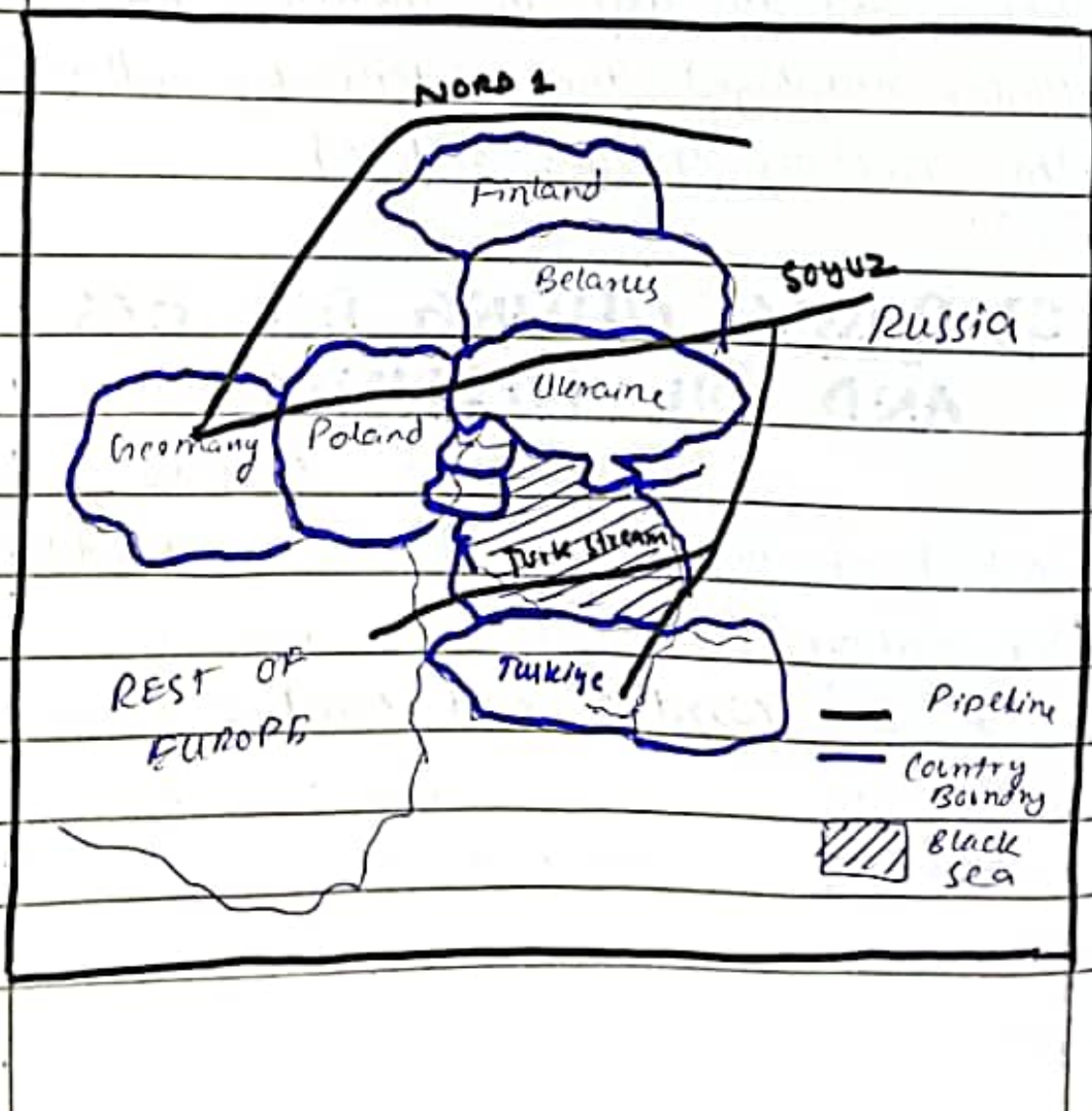
Due to the Russian aggression, the West put sanctions on the Russia on its export of hydrocarbons. The mind behind this was to bend down Russia on its knees, and to cut the financing of Russia for its war in Ukraine. However, Russia outplayed the sanctions by cutting the pipelines of gas and oil.

## B) RUSSIA CUTTING THE GAS AND OIL PIPELINES

Russia, instead of bending on its knees retaliated by cutting down the gas pipelines such as Nord 1 and Nord 2 which were the main gas pipelines which ignited European industries as well as homes.

# C) ENERGY CRISIS IN EUROPE AMID RUSSIAN BLOCKADE OF HYDROCARBONS

Europe, is highly dependent on the hydrocarbons of Russia. For instance, Macedonia's 90% hydrocarbons are from Russia, so as that of Finland. Germany also depends upon Russia for about 47% of its hydrocarbons.



The above map shows the Russian gas pipelines running all over Europe. So, this led to the energy crisis of Europe.

#### D) MIDDLE EAST ~ AN ATTEMPT TO FIND ALTERNATE ROUTE

In order to avoid the energy crisis, Europe with the help of US sought an alternative route in the shape of Middle East. However, this attempt was made unsuccessful by the middle East, as the OPEC decided to cut the production of the hydrocarbons.

#### E) SKY ROCKETING PRICE HIKE IN EUROPE AFTER OPEC REFUSED TO INCREASE THE HYDROCARBON PRODUCTION

An immense price hike was seen in the Europe, especially after the OPEC

decided to cut down the hydrocarbon production. The price that was \$ 78 per barrel in January reached around \$ 125 per barrel in July. According to World Bank Report, a record of 4 decades of inflation had been broken in UK and overall Europe.

## IMPLICATION ON GLOBAL ENERGY MARKET

### **A) RUSSIA OFFERED CHEAPER RATES OF HYDROCARBONS**

As a result of these sanctions, Russia also sought other options, offering hydrocarbons at the low rates. China being world's largest hydrocarbon importer and consumer sought this opportunity and started importing hydrocarbons from ~~Euro~~ Russia. India also started importing at cheap rates.

## B) TRICKLE DOWN EFFECT FROM GLOBAL NORTH TO GLOBAL SOUTH

Whenever, there is a price hike in Europe or west, it always has a trickle down effect on the eastern world also. Due to the reasons that the purchasing power of the Europeans reduces has a direct impact on the production of Eastern Powers.

## OPTIONS WITH EUROPE AND RUSSIA

### A) EUROPE TO LIFT SANCTIONS AND TO CONTINUE IMPORTING FROM RUSSIA

It is in the best interest of Europe to continue importing hydrocarbons from Russia, because if not they cannot run their



industries nor homes because of the overwhelmingly dependence on Russian gas.

## **B) FOR RUSSIA, EUROPE'S ALTERNATIVE IS NOT EASY**

Russia being an exporting company also excessively depends on European market because Europe is a \$17 trillion economy and to find its alternative is not easy. The eastern countries also had an option of Middle East but Russia had only limited market (a comparatively bigger market).

## **C) SHOULD RESOLVE ISSUE THROUGH DIPLOMACY BUT WITH CERTAIN TERMS**

There is always a room for diplomacy but it can be done only when there are certain conditions and Europe fulfills

these conditions. Conditions may include that NATO won't be ~~be~~ expanding towards Russian borders or Europe may not militarily support Ukraine.

## CONCLUSION:

Russia - Ukraine war resulted in sanctions of Russia which had a disastrous impact on the global energy crisis specially on Europe. These two, Russia and Europe, had limited options with them and should resolve issue due to their highly interdependency.

## QUESTION

Critically evaluate US-China geo-strategic competition in Middle East and its implications on Global power politics.

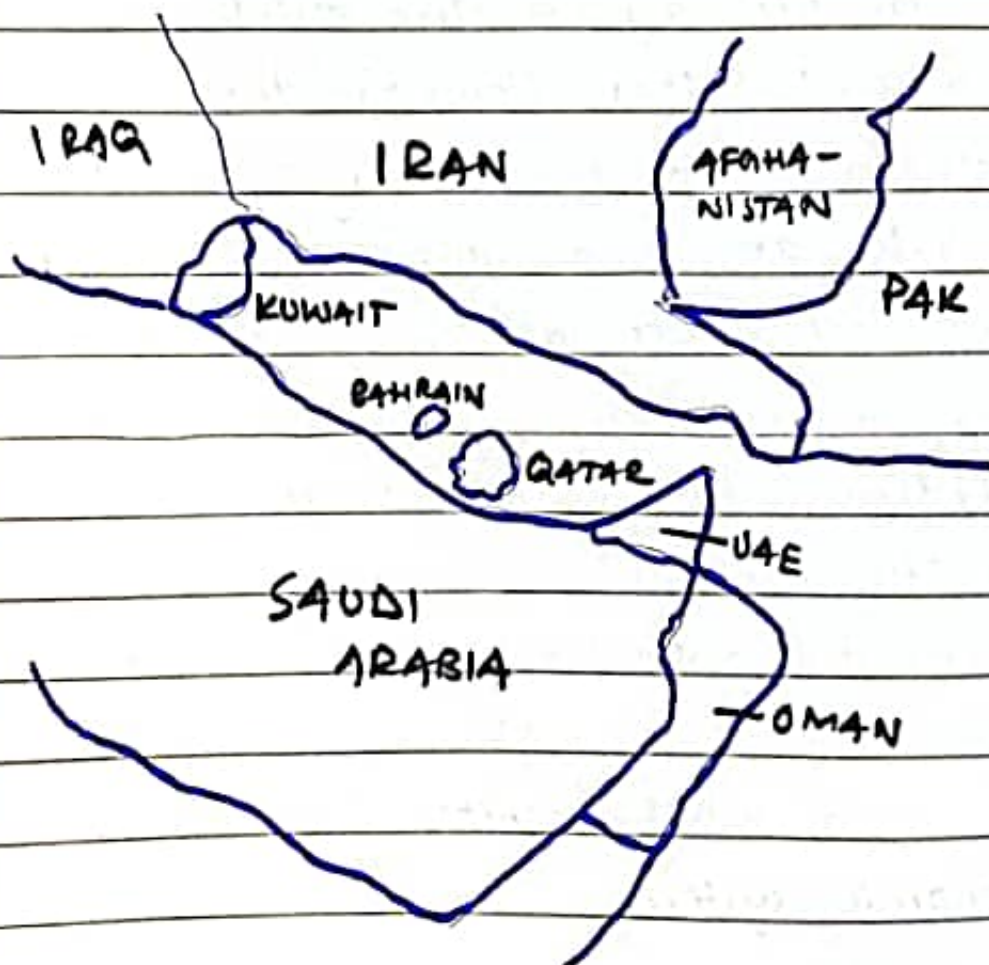
## INTRODUCTION:

China and the US are already in the trade war with each other. However the tension between them is further aggravated as both are in a geostrategic competition with each other in the Middle East. China is increasing its presence and fulfilling the demand vacuum left by the US. This rivalry will have a great implication on the global power politics as Middle East is the one region which ignites the world's economic system.

## IMPORTANCE OF MIDDLE EAST

Middle East includes all GCC countries and Iran. In short,

all those countries surrounding the Persian gulf are considered as Middle East. However, every country has different view about the countries included in middle East.



The above map shows the Middle East Region. It is important because it includes the countries which had

been major hydrocarbons producing and exporting countries of the world, Saudi Arabia being world's largest producer and exporter of oil and major exporter of gas. Iran had been 2<sup>nd</sup> largest producer of gas and 4<sup>th</sup> largest producer of petrol oil in the past. Qatar is the 3<sup>rd</sup> largest producer of gas. All these states make M.E a very important region in the world.

## **(CHINA - US GEO-STRATEGIC COMPETITION IN THE MIDDLE EAST**

Due to its extreme importance, US and China are in a geostrategic competition in the middle East for its resources and to become world economic leader. US in the past had been a major exporter importer of oil in the middle

East but in the 70s, its imports had only reduced to 15% and China being largest importer is looking for diversity.

## 1) CHINA BEING WORLD'S LARGEST IMPORTER IS SEEKING DIVERSE RESOURCES

China being the world's largest importer and consumer of hydrocarbons is looking for new ways in its imports. Its various imports are from the Central Asian Republics but now it is moving towards the Middle East.

## 2) CHINA'S HISTORIC DEAL WITH IRAN

China is pursuing a historic deal with Iran after sanctions being removed by JCPOA, it has made a \$450 million deal with Iran which is to be completed till 2050. Moreover, it has also increased its imports with Iran.

### 3) LOSING TIES BETWEEN UAE AND CHINA

China is

also closing its ties with UAE as since 2021 its non-hydrocarbon trade has increased by 21%. Moreover, China's container giant, COSCO also made UAE's ports its base.

### 4) PRESIDENT XI'S VISIT TO SAUDI ARABIA

President

Xi Jin Ping also visited Saudi Arabia in this year and in 2020 with the aim to increase their bilateral relations with each other. And has made promising contracts with each other.

## 2- USA'S APPROACH

### 1) BIDEN'S VISIT TO M.E

Joe Biden,

in 2022 visited Middle East to ask them to increase the production of hydrocarbons, amid the Russian-Ukraine War and to reduce the energy crisis that occurred globally.

## 2) I2U2 :

USA also made a regional organisation I2U2 to enhance its relationships with UAE (as UAE is part of I2U2). However, US also punished UAE by putting it in FATF's grey list after it purchased S-400 missiles from Russia.

## IMPLICATIONS ON GLOBAL POWER POLITICS

This UAE ~~had~~ US-China geo-strategic competition will have a great impact on the global power politics of the world. Following are some of its implications.



## 1) DIRECT THE DECISION MAKING OF OPEC

OPEC, Organisation of Petroleum Exporting Companies is the international body which makes major decisions on the production of hydrocarbons and the voting is not on the basis of representations but on the basis of share and Saudi Arabia has the largest share. So whoever will be in good ties with M.E will influence the decision of OPEC, hence decision about hydrocarbons.

## 2) GLOBAL ENERGY CRISIS AND EUROPE

Since, the world is in the grip of energy crisis especially Europe, the decisions of OPEC (Middle East specifically) can have a great impact on the energy

crisis of the world. President Biden in 2022, visited Middle East and asked OPEC to increase its hydrocarbon production so that Europe may have an alternative place to import oil and gas from. But OPEC denied and cut its hydrocarbons. So this <sup>will</sup> have a lot of impact on global energy crisis.

### 3) THREAT TO PETRODOLLAR AND US HEGEMONY

An agreement made in the 1970s that all trade in the world be in US dollars had played a great role in making US, a global ~~an~~ economic leader. However, China is persuading its Currency Swap Agreement and asking several countries to trade in Yuan. If it is applied, then China will emerge as economic leader of the world.

## CONCLUSION :

The US-China geo-strategic competition is entering Middle East due to its immense importance. Both countries are taking measures in order to obtain close relations to The ~~US~~ Middle East. And this rivalry will have great impact on the global power politics.