Summary of Dialogues at IPS

Towards Energy Secure Pakistan: Road to Recovery and Sustainability – Agenda for Action

Activity: Conference

Speakers: Dr. Gulfraz Ahmed, Former Secretary for Petroleum and Natural Resources; Dr. Saeed M. Jadoon, Former Co-chairman, Oil and Gas Development Company Limited (OGDCL); Salman Aizad, Director, Punjab Power Development Board

Chair: Mirza Hamid Hassan, Former Secretary Water and Power

Panel Discussants: Barrister Ejaz Ishaq, Advocate Supreme Court; Mr. Zafar ul Hassan Almas, Chief Macro Economics, Planning Commission; Sahib-e-Iqba, Manager Legal, OMV Pakistan; Dr. Vaqar Ahmed, Deputy Executive Director, Sustainable Development Policy Institute (SDPI); Mr. Asad Mehmood Manager Technical, ENERCON; Amir Zia, Consulting Engineer; Mr. Amanullah Khan, Former President Rawalpindi Chamber of Commerce & Industry

Panel Chairs: Arif Allauddin, Managing Director, ENERCON Dr. Joseph Wilson Chairman, Competition Commission; Fasih Uddin, Former Chief Economist, GoP

Chief Guest: Ahsan Iqbal, Federal Minister for Planning and Development

Pakistan’s energy crisis is the product of ill governance, flawed policies, poor implementation and the mismanagement of energy resources. In modern economies energy plays a crucial role which requires a national focus in its management. There is no effective body or mechanism for energy administration at the national level. The roles are divided in three water tight ministries of Petroleum & Natural Resources, Water & power and Planning. There is no overarching institutionalized arrangement for coordination and optimization of efficiencies.

Modern approach encourages autonomous regulation of energy utilities by protecting interests of all stake-holders: consumers, investors and governments. Pakistan started off with plan of privatizing utilities and setting up NEPRA & OGRA. It neither privatized utilities nor allowed autonomy to regulatory bodies and made a mess of energy sector which to stay afloat requires massive bailout without fixing the real source of hemorrhage. Incompetency of top officials of such bodies intensified the predicament.

*This segment contains, in a summarized form, the deliberations of some of the seminars, roundtables and discussions at/by IPS during the second half of 2013. Compiled by Ms. Waqar-un-Nisa and Ms. Kashmala Chaudhry.
Mismanagement and bad governance prevented the optimization of indigenous recourses as well as the alternate solutions. Having a huge hydro potential, Pakistan has been unable to construct a single dam after Tarbela and Mangla which were built as a part of Indus water treaty. Not being able to develop Thar coal due to logistical, economic, technological and even political challenges, the option of importing coal for generating electricity was not even considered as a cheap source of generating power. Though delayed, the Gaddani project is welcoming initiative but the work on Thar coal should be expedited. Natural Gas caters for nearly 50% of Pakistan’s energy demand and since last 12 years the demand is growing 8-10% but, there has been only 3.5% increase in supply annually. Despite foreseeable demand and supply gap, no serious attempt was made to import natural gas, another cheap source to produce power as an alternate to costly imported fuel oil. Wind, Solar and the Shale gas are the other indigenous recourses but their feasibility is yet to be tested.

A high level commitment and broader reforms are required to deal with issues. The espousal of an effective mechanism at national level is the need of hour. Following the proceedings of the conference, a set of policy recommendations was prepared for the relevant government departments.

Policy & Planning

The policy and planning in energy sector have overlapping features and require regulatory and operational reforms with necessary features such as transparency and participation of all stakeholders. The comprehensive Policy to reform energy sector shall have the following key ingredients:

i. Merger of Ministries dealing with Energy (Water and Power, Petroleum and Natural Resources) and creating of single, unified ministry;

ii. Enforcement of code of corporate governance in public entities working in the energy sector and clear policy statement of restraint from govt. interference;

iii. Timely issuance of other policies like gas allocations, rural electrification, circular debt resolution, subsidy and fiscal policy for power and oil & gas, public power generation, alternative and renewable energy and energy sector privatization policy; and

iv. Mandatory Integrated Energy Planning (IEP) to be carried out based on timelines which are duly implemented and monitored.

v. Creation of a fund for Retirement of Circular Debt
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Regulation & Operations

The two energy sector regulators i.e. OGRA & NEPRA need to be restructured in line with changing governance structures, commencing with the structural reforms i.e., a single energy regulator.

i. The process could be undertaken in stages such as merger of the ministry to be followed by regulator’s merger.

ii. Regulator’s performance to be improved by adopting transparent mechanism of appointment, strict adherence to merit based appointment of competent members;

iii. Ensuring independent, timely and transparent decisions

iv. Regulation of public and other private utilities’ operations to be forward looking with a view to make them efficient in the provision of energy services

Legal

Energy Sector legislation needs to support the changed circumstances. Areas to be covered are:

i. NEPRA and OGRA laws to be modified to cover changes in the above areas;

ii. Conservation law to be promulgated and implemented;

iii. After the passage of 18th Amendment, steps for improved governance and energy projects handling need to be reviewed and stipulated apart from a fully functional CCI; and

iv. Development of legal understanding of energy sector reforms and legal structure among judiciary – special courses for judges and lawyers, special regulatory benches etc. are also required for improving judicial review of the decisions of the regulatory bodies.

Education and Advocacy

Knowledge base is to be improved to nurture human resource able to handle energy sector challenges such as introduction of energy management courses in universities. Improved skill set and workmanship to implement energy projects is required, which must be paid attention by universities and technical institutes.

Consumers of energy need to be made aware of the challenges, better management of energy under constrained energy supplies, tariffs and its conservation. With the promulgation of Energy Conservation Act, consumers need to be provided with incentives to adopt conservation of energy ultimately leading to a reward and punishment regime for highly energy intensive sectors. All these activities can be
Pakistan-China Relations

Activity: Joint Quadrilateral Conference
Host Institute: Institute of Central Asian Studies (ICAS), Urumqi
Collaboration: Institute of Policy Studies (IPS) Islamabad, Institute of South Asian Studies (ISAS) Chengdu, Institute of South Asian Studies (ISAS) Kunming

 Speakers: Khalid Rahman, Director General IPS; Liu Zhong Kang, president Xinjiang Academy of Social Sciences; Prof. Wen Fude, Former Director ISAS; Prof. Chen Jidong, Director Pakistan Study Center, Chengdu; Ms. Li Tao, Director ISAS; Prof. Chen Lijun, Director ISAS Kunming, Prof. Abdul Hameed University of Management and Technology (UMT) Lahore; Ms. Shi Lan, acting director ICAS; Prof. Li Jian, Head of Pakistan Study Center in China West Normal University (CWNU); Zeng Xiangyu, ISAS Chengdu; Irfan Shahzad, Lead Coordinator IPS and others.

US/NATO’s drawdown from Afghanistan would bring wide-ranging implications for regional stability as well as the Pak-China relationship as well. The leadership role being vested upon India by the US for the Asian continent, including the maneuvers in the Indian Ocean, presented a whole new plethora of challenges in terms of freedom of navigation, trade and energy supplies.

US has decided drawdown from Afghanistan instead of complete withdrawal. Is it a result of failure or victory? What Objectives have been achieved? There is no clear & single answer to these questions as the definition of victory was never unambiguous. It also remained changing over time. Consequently the future scenario will continue to face issues of clarity, transparency, trust and consensus approach.

The motivations stated for drawdown are protecting and promoting shared democratic values, advancing long-term security and secure the post-Taliban arrangement, strengthening Afghan institutions and governance, gradual transfer of responsibility and power to Afghans, reinforcing regional security and cooperation by committing long term and sustained support for Afghan Project - by building and training ANSF. Whereas, generally perceived motives are transforming the role of forces from short-term tactical operation to long-term strategic presence, transforming the definition of victory and rationale of the mission on less challenging terms so that the US does not seem to be withdrawing under duress and transforming the operational strategy: employing Afghans—forces and warlords—to do the ground work, sustaining the cost of occupation: human as well as financial (one US soldier costs one million dollars a year) and more importantly the political cost, sustaining influence in Central Asia, and

handled successfully in partnership with media. [September 18 – Coordinated by Ms. Waqar-un-Nisa]
continuing the policy of containment of China and Russia, and keeping Iran under check and sustaining pressure on Pakistan for regional strategic maneuvering,

Drawdown in perspective of security scenario can be seen in quantitative aspect such as dealing with the current number of ANSF, issues of loyalty and illiteracy, financial costs involved in maintaining the numbers. Whereas, qualitative aspects, which include desertion and attacks on NATO soldiers, Afghan local police infrastructure, challenge of maintaining the current network of intelligence and surge in forces of resistance in the wake of psychological advantage as well as new recruitments. If ceasefire doesn’t take place besides a likely scenario of deepening division on ethnic lines, Taliban office in Doha and similar issues represent significant challenges. Thus chances of success are not so bright, stalemate, anarchy and chaos, with continued diminishing influence of central government outside Kabul while Taliban practically running the affairs in Southern and Eastern provinces appear to be likely scenario.

Afghan’s future depends on durable political scenario which would need national reconciliation supported by international community and regional countries; approaching the whole issue from military to political means, from conflict to ceasefire, from drawdown to exit, from imposed to indigenous political system and from deadlock to reconciliation.

India’s role in the region is growing. It India has agreed to assist, as mutually determined, in the training, equipping and capacity building of Afghan troops. India and the U.S. are committed to regularly consult with each other on Afghanistan. India-US-Afghanistan trilateral Dialogue mark the beginning of a series of consultations among three governments, who share common interests across South and Central Asia and who have pledged to work together on common challenges and opportunities including combating terrorism and violent extremism, reviewing cultural exchanges and increasing regional trade, investment and economic integration. On international issues, Iran is ready to assist the United States in the ‘face-saving’ withdrawal of its forces from Afghanistan.

Indo-US Nuclear deal tells about the US grand strategy. In this scenario, India is even more valuable as a nuclear power than as a non-nuclear country. India and China have conflicting interests in Indian Ocean.

Pakistan and China should solidify their relationship and build it further, banking upon the strong foundations set in the recent high level exchanges between the two countries’ leaderships while keeping a close look at and devising joint strategies viz. a viz. a changing regional dynamics.
Cooperation between two countries could also be improved through educational cooperation. This could include cooperation in higher education, technical and vocational training, human resource development and research collaboration. Moreover, closer linkages between the universities of the two countries should be developed by involving student and teachers exchanges and promotion of languages training, especially that of Chinese language in Pakistan.

During 1950s to 1990s Pakistan-China Economic cooperation did not reflect bilateral closeness. However, 2000s is decade of institutionalizing economic cooperation between two countries. Trade volume has crossed $12 billion mark in 2012, but trade alone is not reflective of economic cooperation on ground, which is characterized by Chinese involvement and investment in Pakistan’s economy, infrastructure and SOEs in particular.

Top 10 destinations of outbound Chinese investment, reaching $80 bn. but do not include Pakistan. China is, however, facing issues of rising wages and production costs, labor, finding new production locations and offering sizeable outbound investments. While, Pakistan the 28th largest economy of the world is a resource rich country seeking investments and markets and is offering huge sea of investment opportunities and cheap labor. China could tap on this potential of Pakistan.

Among recent major developments between two countries from 2010 onwards include: Additional Agreement to extend Five Year Program, Agreement to extend FTA; bringing Services into FTA; Tax reduction negotiations under FTA, Currency Swap Agreement, Efforts aimed at Improving Communications: Up-gradation of Karakorum Highway; new flights between Chengdu and Karachi & Kashgar and Islamabad, railway and pipeline, Gwadar Port Operations’ handed over to China, Increased Chinese interest in Pakistan’s energy sector including hydel, coal and alternative & renewable energies.

As China is focusing on “Overseas Special Economic Zones” (including Lahore) it is time to explore the possibility of extending Kashgar Special Economic Zone, at least some of its production facilities, to parts of Pakistan’s Gilgit-Baltistan. Pakistan’s role could also be explored in powering/fueling the Development of China’s Western Region, possibility of new Border Trade Arrangement with trade in rupees and RMB, providing labor and promoting tourism.

In order to turn “Economic Corridor” from a ‘Plan’ into a ‘Project’, fast track enhancement of communication linkages is required through railway increasing air traffic at affordable rates, constituting respective Consulates in Kashgar (Kashi) and Gilgit.

There is need to address the issue of trade imbalance: tariffs at par with ASEAN for Pakistan as in some cases huge disadvantages exist
for Pakistani exporters, against ASEAN exporters. This could be done through, for instance, promoting production of finished products in Pakistan for export to China than continuing with raw materials (such as copper), promoting Joint Ventures (agriculture & horticulture, food processing, packaging, mining, gems and jewelry, herbal & traditional medicine etc.)

As Pak-China business and commercial relations grow, it is time for devising an integrated, proper and comprehensive Business Disputes Settlement Mechanism so that approaching international arbiters and tribunals could be avoided. As well, there is need to sensitize future generations of traders, investors, business persons and travelers as well as customs and immigration officials to care for each other’s laws, regulations besides cultural, social and religious sensitivities. [July 12, in Urumqi, China]

Pakistan, Xinjiang and Central Asia: Strengthening the Sources of Convergence

Activity: Presentation at International Conference
By: Khalid Rahman, Director General IPS

The prevalent discourse on the region comprising Pakistan’s north, Xinjiang and Central Asian Republics (CARs) is that of a conflict ridden one, with many reasons of divergences between the countries and people of the region; religion, and its various manifestations, being one of them. Considering the global waves of religion-bashing in general and Islamophobia in particular, such a trend in discourse is no exception. Although, after having a deeper look on ground realities, one finds, it is just one side of the coin.

There is no doubt that this region has a number of groups and outfits which are active in the name of religion and some of them are also busy committing and promoting violence. Therefore, such groups are visibly becoming a reason of fragmentations in the region. This, again is not only limited to this region but throughout the world such trends have given rise to a new discourse, highlighting religion as a motivation for extremism, violence and terrorism, though with little basis. Now the question is: whether those promoting extremism, violence and terrorism necessarily draw their motivation from religion? An affirmative answer is rather hard to come by, considering the widespread political reasons of discord in the region, the conflicts originating from ethnic differences, tussles for control of natural resources, and above all, the interest of extra regional forces which are spreading their tentacles in the region in more than one ways and under different pretexts. Some of those resorting to acts of violence and terrorism – it may not be ignored – may be doing so as a reaction of the falsified targeting of religion, which is very dear to them.
There is no doubt that one could raise genuine questions in some cases, about the activities of the elements, active in the name of religion. However, this course needs to be brought into correct perspective. Without going into the debate whether religion is important in life or not; or if religion has any role in life or otherwise, this reality must be admitted that all around the world and especially the in region under discussion, there is a very large proportion of population who are the followers of religion(s), particularly Islam. Therefore, people of the region share a lot in terms of thought and practical life. This similarity can be made a basis to bring the people of the region together.

It goes without saying that religion, culture, tradition and ethnicities are what the people of this region have in common. As famous Pakistani historian and scholar of Central Asia, Ahmad Hassan Dani puts it:

"From the Steppes of Kazakhstan to the Arabian Sea and from the Caspian to the mouth of the Indus, this vast stretch of Asian heartland is one cultural zone where people have common religion and ethnic history."\(^1\)

Over 97 % of the population of Pakistan is Muslim, and though among the Central Asian Republics, the proportion of Muslims (and those affiliating themselves with Islam) varies from a low of just around 60% to high of overwhelming 90%, it can be asserted that this region is predominantly inhabited by the followers of Islam. Other religions, Christianity in particular, are also present in sizeable numbers and their presence and contribution towards social life cannot be ignored. If we go back to the pre-Islamic period, Buddhism was the dominant spiritual force along the ancient Silk Road, and world famous Buddhist civilization is also a common heritage.

Focusing specifically on Islam, one finds that Imam Bukhari, Imam Tirmizi and Imam Nisai, the three leading figures in developing the Islamic thought particularly the *Hadith*, the second most important source of the Divine knowledge after the *Quran*; are respected all over the Islamic world, have their roots in this very region\(^2\). Major orders (*Silsalas*) of Sufi Islam – *Naqshbandi, Chishti* and *Yassawi* in particular – have their roots in spread to the subcontinent from the areas that now make up Central Asian Republics (CARs). Therefore, it needs little stress that religious and spiritual affinity in this region is much more than in any other region or part of the world.

\(^1\) Ahmad Hasan Dani, New Light on Central Asia, Lahore: *Sang-e-Meel* Publications, 1993
\(^2\) Safir Akhtar, "Pakistan-Central Asia Relations: A Brief Historical Survey" in Pakistan Central Asia ties with Focus on Kazakhstan, edited by Irfan Shahzad, Islamabad: Institute of Policy Studies, 2010
Scholars point out that even during the periods when the region was divided and fragmented, either due to infighting or colonial interventions and occupation, interaction in the religious and cultural fields between Central Asia and Subcontinent did not breakdown altogether, and continued in one way or the other\(^3\). This is a clear indication of the inseparable bonds existing between the people of this region.

Therefore, it would not be wrong to say that religion and religious affiliations may particularly be the very sources of binding the region together. Religion can actually act as a uniting force, and point of convergence for countries and people of the region.

In addition, religion, shared cultures and common traditions of this region can also be harnessed in the same way. From eating habits and ways of cooking to the ceremonies of death and marriage; common practices and customs have exited and have been sustained all across the region. Despite the negative influence of Tsarist Russia and the former USSR on Central Asia and that of the British Empire on the Subcontinent, these traditions and customs have withstood the vicissitudes of time. Fine arts pursued in the region for centuries have undeniable similarities. Dances, folk lore and traditional sports hardly have any big difference from as far up in the north as Astana to as deep down in the South as Karachi.

The commonalities of languages spoken in the region – including their origin – are another point that brings the people of the region together. While majority of the people of the region are ethnically of Turkic origin, the court language, for centuries was Persian. Today, while each state and part of the region has languages of its own, but the commonality – not just of words but of grammar and styles of writing, not to mention the wealth of similar literature produced – is there and needs little effort to find.

While economy is not a direct focus of this brief paper, it goes without saying that economic interaction is one of the most dependable means of closeness and mutual influence. Here again in this case; the region in question has long been a single economic zone, for centuries.

The above mentioned mutual bonds should be highlighted and strengthened for promoting greater regional harmony, and consequently ushering the region into an era of peace and prosperity. What is needed, is the demonstration of political will, and a new wave of discourse highlighting this binding nature of the common religion, traditions and cultures, as well as languages in academic discourse and resultantly translating the same spirit into the policies of the states of the region.

\(^3\) Op. Cit, Ahmad Hasan Dani.
Policy Perspectives

How this harmony is to be achieved; the following may be suggested in this regard:

- The most important one is to depict a true picture of religion and religious teachings, and furthering such a discourse that does not bash religion baselessly but acknowledges its peace-inducing teachings and guidelines. Research institutions, universities and academia, and above all media should start focusing on this brighter side of religion and religious teachings. It is encouraging to note that some of the governments of the region are focusing on highlighting the peaceful nature of religion and countering new and emerging forms of xenophobia.

- Opportunities should be created, and enhanced where they already exist, for the people of the region to enhance their interactions, promoting religious tourism. This will bring the people together, will strengthen the sense of closeness and increase intra-regional harmony. It is good to know that religious tourism towards Samarqand and Bukhara is increasing from the subcontinent, particularly Pakistan.

- The new generations, particularly university going youth, should be apprised of the common religious and cultural heritage. Courses and curricula should be developed and taught targeting the same.

- While economic interactions are also increasing, the design should be to foster the same in a way that the togetherness of the region is realized.

The challenges that this region faces are numerous, no doubt. But one finds that the major challenge actually is the trust deficit. None of the challenges, though, are insurmountable. It is realized that in the prevailing circumstances of the region, these suggestions and assertions may come as a surprise for many of those present here. But this is the time to think about the real solutions and out-of-the-box approaches. Moving ahead in the above mentioned direction, it is believed, will yield notably positive results for the region. [July 13, Urumqi-China]

New Wave of Reforms in China

Activity: In-house Session
Key Speaker: Dr. Xiao Jianming, visiting Scholar from China

China has reached a historical critical point in its reform and opening up. The question that arises is, will it create an upgraded version of social development or hesitate in front of difficulties until the achievements of the past three decades are exhausted? To address this question CPC has proposed a new set of reforms to improve and develop socialism in the country with Chinese characteristics as well as to modernize country's governing system and capabilities. There are 59 “reforms”, 44 “systems” and 30 “deepenings” in the document. So, it’s being stated as a new wave of reforms in China by the main media. It
first confirms that future reforms will not only focus on the economy but political, cultural, social and ecological reforms would be systematic, integrated and coordinated.

The National Security Council has two mission first is to externally safeguard state security, second is internal and it ensures peace and security for the people.

A central leading team for "comprehensively deepening reform is in charge of designing reform on an overall basis, arranging and coordinating reform, pushing forward them as a whole, and supervising the implementation of these plans. The State Council will be a mini-cabinet, only focusing on the economy, a simple executing agency without the defense, foreign affair and security functions.

Proper relationship between the government and the market, leaving the market to play the decisive role in allocation of resources, improving the market price mechanism and speeding up the transformation of government functions are part of the reforms.

The main target of the public ownership is to enhance the vitality of the state-owned sector of the economy and its capacity to leverage and influence the economy and to encourage the development in the non-public. To deal with the resource allocation issues they have to cultivate a unified and open market system with orderly competition. Monetary system reforms require RMB freely convertible, market-oriented interest rate, offshore financial business, opening up to the outside world of the financial industry to build a new open economic system, to relax investment access and speed up construction of free trade zones.

Land reforms require improving institutions and mechanisms for promoting integrated urban and rural development, granting farmers more property rights, enhancing equal exchange of factors of production between urban and rural areas and balance allocation of public resources between them and to reform HUKOU system. Presently, most of the peasants' profits of the land requisition are taken away by the government.

Tax system reform require firstly, making the central and local powers clearer. Secondly, sounding financial resources and powers to match the fiscal and taxation systems. Cultural reforms require promoting innovation in cultural institutions and mechanisms, improving the cultural management system and establish a modern cultural market system; 90% of the cultural products are imitation or duplicate; There is need to improve the copyright protection through the National Intellectual Property Strategy.
Policy Perspectives

Social management system requires accelerating reform and innovation in social sectors, deepening overall education reform, improve the institutions and mechanisms of employment and starting business, build a fairer and more sustainable social welfare system, deepening reform of the medical and health system, innovating social management system and innovating a system that can effectively prevent and solve social contradiction.

Ecological civilization needs to speed up the building of ecological civilization system, establishing a system of compensation for the use of natural resources and the subsequent impact on the ecosystem. [December 12 – coordinated by Ms. Rashida Hameed]

Balochistan and it Youth

Activity: Interactive Session with Balochi Youth delegation

Balochistan – the largest province of Pakistan in terms of area and smallest in terms of population – is going through a state of turmoil. It is facing issues of governance, deteriorating law and order situation, sense of insecurity, insufficient educational and health facilities, rights' abuses, irresponsible media projection and discriminatory attitude on the basis of sects, ethnicities and social status. Balochistan's people and particularly its youth are dissatisfied with the role of certain law enforcing agencies in the province. Trust deficit between the central government and the people of Balochistan is evident.

There is need to initiate platforms which can act as constructive and engaging for the Balochistan's youth. Such platforms should target to impart leadership skills; farsighted, unprejudiced and problem solving approach towards present critical issues the nation in general and Balochistan in particular is confronted with. Baloch youth, on their part, should also avoid generalization of blame to any specific province and affiliate themselves with the cause of Muslim Ummah and whole Pakistan. This will not only reinforce their voice but also it will help in ripping down the selfish aims of the enemies of Pakistan. [September 16 – coordinated by Ms. Hina Habib]