

Regional Cooperation: Prospect for Energy Development

- Prof. Bishwa Pradhan

Far-reaching changes have taken place in the world today causing a metamorphosis in the socio-economic and political structure of every country. The metamorphosis has been particularly evident in recent years making it incumbent on the part of every nation of the globe, in every nook and corner, to react to events with caution and responsibility. It has now been a common phenomenon to the countries of every region to join hands within a framework of collective cooperation to promote and safeguard their interests and priorities in the context of the emerging era of globalism. The regional frameworks in the throw of this global competitive context everywhere is being caught up, which is truly revolutionary in their spirit, dimension and development, whether it be LAFTA, NAFTA, EU, APEC, GULF Council, ASEAN, Arab League or OAU etc; all regional arrangements are gaining ground in their own way. The consolidation and expansion of ASEAN at our neighbourhood, establishment of BIMST-EC, the economic miracle of China and the burgeoning economic growth of India and her rapid and significant advancement in science and technology, specially in IT and bio-technology, have greatly enamoured the south Asian region.

Against the backdrop of such tremendous upsurges in the horizon, Nepal, Bangladesh, Bhutan Sri Lanka, Maldives, Pakistan and India, the seven nations of south Asia are grouped together to surge ahead to determine their future destiny. Over one fifth of the world population is concentrated in this region under SAARC umbrella, nearly half of which is gripped below poverty line. The region is afflicted by economic disrays, political instability, mal-governance, violence, racial discriminations, religious bigotries, environmental degradation and sky-rocketing arms race. The refugee crisis, territorial disputes are some touchy issues which squarely imping upon the peace and prosperity of the region. These are indeed major challenges ahead for SAARC to surmount.

Regional cooperation is intended to offset discontinuities imposed by national frontiers and thus increasing trade within the region, stimulating production, providing enhanced investment opportunities, and in some cases facilitating the movements of labour and capital as well as goods. It needs to be studied from a long range prospective as well as from the economic angle and to deal satisfactorily with them.¹

SAARC was born on December 1985 with the objective of Peace, freedom, social justice and economic prosperity in South Asia by fostering mutual understanding, good neighbourly relations and meaningful cooperation amongst the countries of the region.²

SAARC is entering into its twenty first year after completing its two decades of existence. Over the years, it moved meticulously ahead by identifying some areas of cooperation for the social and economic advancement of the region; many of which are included in the Social Charter. The adoption of the Social Charter is a historic achievement since it has accorded highest priority to poverty alleviation in South Asian region. The implementation of it should be treated as the great step forward towards raising the standard of living of the peoples of the region.

The SAARC Plan of Action adopted by the 12th SAARC Summit at Islamabad together with Social Charter is another great milestone to tackle and implement the multi-dimensional aspects of development to achieve Millennium Development Goals (MDGs). It intends to execute 12 measures of internal and 4 measures for external policies to bring about a balanced and sustainable development of the region.³

The third significant achievement of the Islamabad SAARC Summit in January 2004 has been the adoption of SAFTA after a long and extensive discussions and deliberations held at the level of experts' committee. The proposed unfolding of a new trading zone which is now underway is a complex task. Thanks to the committee of experts whose untiring and painstaking task has given a definite and purposeful shape to it, although some hectic last minute touches are being worked out before the 13th Dhaka summit.

¹ Dr. Y.P. Pant, "Problems of development: Regional Economic Cooperation" p.187, Oxford and IBH Pub. Company, New Delhi, 1974.

² SAARC: A Profile, SAARC Secretariat Kathmandu Nepal, December 2004.

³ The Social Charter and the Plan of Action Publications, SAARC Secretariat, Kathmandu, Nepal.

The SAARC agreements on investment promotion and avoidance of double taxation are important packages of economic cooperation, which are at the point of consensual reach particularly after the visit of Prime Minister Mr. Shaukat Aziz of Pakistan to all seven member countries last year as the current chairman of SAARC. He had then spelled out the possibility over signing of the treaty on mutual investment and a treaty on avoidance of double taxation at the forthcoming SAARC Summit in Dhaka. This was echoed by the ministerial meeting of the SAARC Commerce and Industry ministers' meeting held in Islamabad in November 2004 towards the process of smoothening the free trade regime in South Asia. The ministerial meeting had also deliberated on the subjects of preparation of the sensitive list of products, transfer of technology to LDCs, the rules on the origin of the products and the compensatory provisions to the less developed and backward member countries in the case of loss of revenue etc besides adopting a common position on trade issues at the WTO meetings. The ministerial meet also had proposed to a setting up of a high level economic forum emphasizing the need to ease the possible hindrances that may crop up in the process of implementing the free trade zone within the specific dateline in south Asia.

The ten member country ASEAN, committed to complete the task of free trade zone by 2010, signed an agreement with China last year which was targeted to creating world's biggest free trade zone, the objective to reducing average customs duties amongst them to between zero and 5 percent. China pledged to provide some special leeways or some extended time period to the poorer ASEAN countries like Vietnam, Myanmar, Laos and Cambodia.

In South Asia, we have two sets of countries rich developing side by side poor, weaker and least developed countries. Real meaningful climate for free trade zone will be less likely if the basic interests and the need priorities of the landlocked and LDCs are not properly addressed enabling them to proceed ahead hand in hand with their better-off partners. Only then SAARC can move ahead to grapple for a planned process to achieve the ultimate goal of South Asian Economic Union (SAEU) for the happy and prosperous future of South Asia in line with the trends as exemplified by the European Union (EU) of western Europe.

With the adoption of all these important documents mentioned above, SAARC has reached to a stage to concentrate how best it can achieve the

millennium development goals in a pro-active and positive manner. The time has now been set to focus on result-oriented course of action rather than resorting to the conventional practices of discussions.

If we follow the track record of SAARC road map to development, one should accept the fact that it has a slow progress to show to the world at large. Its poor performance, frankly speaking, is basically due to the internal and bilateral problems between the countries of the region which vitiated the atmosphere of collectively implementing the major SAARC decisions. The report issued by the group of experts, 2000 corroborates this slow process of development.⁴

On Energy Development:

South Asian region is a land of potential power resources which, if properly harnessed, would change the economic landscape of the whole region. The richly endowed natural resources such as water potential of Nepal, Bhutan, India and Pakistan, the natural gas of Bangladesh and Pakistan, and the coal of India are in abundance for the generation of power (energy) which can be of tremendous benefits to the region. An Indian state-run energy company has made the country's biggest gas discovery, an offshore bubble big enough to double the country's gas production. The find made early on June, 2005 by the Gujarat State Petroleum Corporation (GSPC) was estimated at 20 trillion cubic feet and to be worth about 50 billion dollars. As it has been emphasized by experts from different quarters, it would catapult the life style of the local peoples if these resources are properly managed and mobilized in a planned manner under regional or sub-regional level cooperation. The need for grater economic cooperation in this sector is particularly so acute for which SAARC would be an ideal framework through which collective endeavor could be initiated in a timely fashioned manner.

Presently, per capita consumption of energy amongst the South Asian countries is very low (lower than even that of the sub-Saharan Africa) and the energy shortage has resulted in the low growth equilibrium in South Asia.⁵

⁴ Group of Experts' Report, 2000.

⁵ South Asian Development and cooperation report 2001/2 Research and information System for the non-aligned and other developing countries (RIS) New Delhi.

Development on the use of water resources, gas, coal and forests for the power generation at the level of regional power grid in South Asia is worth emulating following the South East Asian experience in this field. As it envisages high cost factor, the SAARC countries water projects, under joint development, supplement and complement the energy strength of South Asian countries to each other.⁶

Nepal's water resources, originating from the highest Himalayan mountain ranges of the world, extending over 2400 kilometer long from East Nepal to its Western part, has the capacity of generating 83000 mega watts of hydro-power potentiality, out of which Nepal has currently utilized generation of power which is less than 2 percent of its total production capacity. The availability of abundant water resources and the favorable geo-political features provide ample opportunities for the development of hydro-power in the region, for which Nepal proves itself as one second richest water resource country in the world. Generation of hydro-electricity with its multi-purpose uses, together with the maintenance of Himalayan ecology in line with the prescribed international guidelines within a framework of well-thoughtout water development planning strategy should be adopted under the given articles VIII and X of the SAARC Charter which has been emphasized by the declaration of the 11th SAARC summit held in Kathmandu on January 4-6, 2003.⁷

SAARC initiation of specific development project to turn the inexhaustible white gold to better the economy of the region is one such area to be explored on a top priority basis which is likely to offer economic growth providing ample job and trade opportunities.

A new regional grouping –BIMST-EC geared towards regional economic cooperation formed on June 6, 1997 is on the offing which has identified six specific sectors for cooperation such as trade and investment, technology, transport and communications, tourism, fisheries and energy to accelerate the economic growth and social progress in the sub-region through joint endeavors in a sprit of partnership and equality for the sake of

⁶ Mr. R.K. Khetan: "Streamlining Economic Cooperation in South Asia", future of SAARC P. 187, IFA, January 2004.

⁷ Declaration of the 11th SAARC Summit, Kathmandu, Jan., 2003. and the SAARC Charter.

tangible benefits of the peoples in raising their standard of living through the best use of their available synergies.⁸

The recently held foreign secretary level meeting of BIMST-EC held in Dhaka has come up with the idea of laying a gas pipeline to Bhutan and Nepal from across Bangladesh to meet the gas requirements of these countries is a significant positive feature of regional cooperation.

There have been negotiations going on between India and Pakistan on the power trading and gas pipeline connection between India and Iran and similar arrangements between India and central Asian countries through the territory of Pakistan. Given the demand and supply situation of this commodity in the sub-continent, the trade in gas power would be mutually beneficial to all these related countries.⁹

Indian petroleum minister Mr. Manishankar Aiyar, on his visit to Pakistan on June 4, 2005, is reported to have said that the consumption of petroleum and natural resources was shifting from the west to south Asian region. By 2020, he said, the demand for natural gas in India would increase to 400 metric cubic metres (mcm) from the present 170 mcm. “With every passing day, our demand is increasing and we will have to meet the demand from outside”, he said.¹⁰

South African Power Pool (SAPP) created in 1995 encompassing South Africa, Lesotho, Mozambique, Namibia, Malawi, Zimbabwe and Zambia under South African development community is an example which matches very well with the South Asian situation. They are wedded together to provide a reliable and economical power supply consistent. SAPP is a mix of hydro and thermal generation plants serving a population of hundred million peoples. Inter-connection of power systems of contiguity located countries has provided immense technical and economic benefits. All these would allow each electrical utility to make savings on power plant investment costs as a result of improved use of the inter-connected system and the quality of electricity supplied to the customers.¹¹

⁸ The BIMST-EC Declaration, Report on Nepal’s Foreign Affairs, (2002-2003), IFA, Kathmandu, March 2004.

⁹ Dr. Mahendra P. Lama. “Energy Cooperation in South Asia: Report on cross boarder trading”, SAFMA Regional conference, Dhaka, August 21, 2004.

¹⁰ Aiyar seeks Asian cooperation in energy, India News, Sunday June 12, 2005

¹¹ Dr. Mahendra P. Lama, “Energy cooperation in South Asia”, August 21, 2004.

Will there be a role for China in the near future in some form of trans-himalayan sub-regional cooperation? Very often the question of China's dialogue partnership with SAARC has been raised. Though no definite conclusion is reached about it, what appears is that her status as dialogue partner may not be a distant goal as her attitude towards SAARC's success has been quite affirmatively positive.

So far the harnessing of the Brahmaputra river basin is concerned, as it originates from the region of China, its relations with her lower riparian powers is not far to seek in some forms or the other in the development of the bio-diversity cooperation front in future.

Actually, it would depend how well regional cooperation would progress between SAARC countries and the Peoples' Republic of China from the experience of only forum that has a linkage in, namely the International Centre for Integrated Mountain Development (ICIMOD) established in 1983. It looks that beyond sharing of experiences for the transfer of knowledge on integrated mountain development and bio-diversity, practical cooperation has not led to the trans-border people-to-people contacts through flows of trade and investment. In the wake of SAARC, process, it would be good to think of SAARC future with new dimensions; to start visualizing to South Asian economy as having four grand parts linked inter-regionally to West Asia, Central Asia, Indo-China and Australia under the formation of South Asian Growth Quadrangle (SAGQ) eventually i.e. one grand axis comprising the Western seaboard linking Maldives, Bombay, Karachi, Iran and Gulf region; Eastern sea-board linking Myanmar, Thailand, Indo-China, Southern sea-board linking Sri Lanka, Malaysia, Singapore, Indonesia, Australia and the Northern region linking up with Central Asia.¹²

The 12th SAARC Summit held on January 4-6, 2004 in Islamabad, Pakistan, realizing the importance of the regional cooperation in energy sector, laid emphasis to the setting up of a Working Group to study the possibility of South Asian energy cooperation, including the establishment of an energy ring in the region. It is hoped the working group would recommended to the creation of an appropriate SAARC mechanism to the development of energy which will go into the details of prioritizing it as a core cooperation area.

¹² Mr. Madhukar S. Rana, "Nepal's Foreign Policy: Rethinking South Asia", an article Jan. 30, 2005.

The working group prepared a programme for the year 2005 which included workshops and seminars on the subjects of energy trade, independent power producers' energy efficiency, rural electrification, micro-hydroelectricity from the collective experiences in priority areas. The first meeting of the working group on energy was held in Islamabad on June, 2004 which held comprehensive discussion on various aspects of the subject, including the TOR and a plan of action.

The working group approved to seek cooperation between SAARC and ASEAN to learn experiences in various energy sectors. A delegation from SAARC member countries was to visit ASEAN energy institutions for this purpose.

The working group in its second meeting held on December 16-17, 2004 recommended to the establishment of SAARC Energy Centre in the forthcoming SAARC summit to be held in Dhaka in January 2006. Bangladesh in the meantime had offered to host the third meeting of the working group on energy in Dhaka. The Energy Centre would work as a catalyst for the economic growth and development by initiating, coordinating and facilitating regional as well as joint and collective activities in the energy sectors of SAARC countries. It would accelerate the integration of energy strategies within the exchange of information, technology and expertise.¹³

With all these developments, the idea of establishing a South Asian Development Fund (SADF) was mooted at the sixth SAARC Summit held in Colombo, Sri Lanka in 1991. It formally came into being with the merger of two erstwhile funds-the SAARC Fund for Regional Projects (SFRP) and SAARC Regional Fund in 1996. It has three windows for (1) identification and development of projects (2) institutional and human resources development projects and (3) social and infrastructural development projects.

From this, one is apt to perceive that it is basically intended to be an investment institution for the social and economic development in the region

¹³ Energy Cooperation in South Asia to promote investment, Ministry of Petroleum and Natural Resources, Government of Pakistan, Press Release, Islamabad Dec. 17, 2004.

– its primary objective being the harnessing of the vast potential available in the region in terms of resources, manpower and technology.¹⁴

SAARC Track Record:

If we look at the track record of SAARC so far twelve SAARC summits were held and during its twenty year period a lot of resolutions identifying a number of areas of cooperation was adopted. SAARC is now quite a grown-up organization constituted for peace, prosperity, politico-economic stability and security of the region. Question arises how far this regional body would be productive towards this end. It is a matter of regret that its track record has been rather slow and sluggish. Its poor show has been primarily due to the lack of political will and most prominently the bilateral conflicts between its member nations as stated above, which hampered to its progress to a large extent and has resulted into the failure of collective action for the implementation of the decisions. Many of its decisions are just in papers in the forms of protocols, conventions, reports and studies. Policy implementation thus remaining stagnant, there has been a little movement from rhetoric to action. Let's hope that with rapprochement and composite dialogue between the two biggest powers of the region, the door will now be wide open for SAARC to make a meaningful headway towards the region's collective prosperity and the well-being of its people¹⁵

Conclusive Remarks:

The forthcoming Dhaka Summit should put their heads together to embark upon certain concrete decisions for productive projects on a priority basis which would have a trickle-down effects to the well-being of the peoples of the region. Article x of the SAARC Social Charter stipulated the formation of a National Coordination Committee (NCC) in each member country of the region. The arrangement has been to classify member-state as Participatory within the framework of social charter as Declaratory. The same clause further envisaged the provision of an appropriate SAARC

¹⁴ SAARC Funds, Chapter 10, SAARC profile, A Publication of SAARC Secretariat, Kathmandu, Dec. 2004.

¹⁵ Regional dialogue on “Global change and the Future of SAARC: Challenges and Prospects, Introductory remarks by Mr. Kant K. Bhargava, former SAARC Secretary General, New Delhi, Dec. 9-10, 2004.

bodies to review the implementation of social charter at the regional level. In that context, it is highly important to develop a regional mechanism to networking the individual national coordination committees to operationalise and oversee their activities most effectively.

The report on the Independent South Asian Commission on Poverty Alleviation (ISACPA) and the measures sought by it towards the fulfillment of the millennium development goals of reducing absolute poverty in South Asia by 50 percent by 2015 would be a far-cry proposition, if the political leadership do not execute a definitive time-bound productive projects under South Asian Development Found (SADF).

In nutshell, the success of SAARC to the attainment of millennium development goals and poverty alleviation largely depend upon some of the following measures:

1. Prioritization of core cooperation areas. Regional leadership should take up one or two specific projects on regional or sub-regional basis. A feasible strategy for economic cooperation to the individual needs of three or more countries should be developed as per articles VII & X of the SAARC Charter.
2. Co-option of Dialogue Partners. SAARC should seek cooperation from the dialogue partners from outside the region who could extend their helping hands in the development projects of the region. Because of geo-proximity of China with SAARC countries and as a growing global power China should be invited as dialogue partner along with USA, Russian Federation, Japan, EU and Saudi Arabia etc.
3. Search for aid and assistance from other regional bodies, international agencies and organizations. SAARC should explore to receiving aid and assistance to its development projects; and for this to adopt a regional dimension of action across the region to ensure effective implementation of the areas of poverty alleviation, population stabilization, tourism and drug trafficking, terrorism, women development, youth mobilization, human resource development, promotion of health and nutrition, safe drinking water and protection of children etc.

4. **Good Governance.** Weak governance is a major constraint to the economic growth and poverty reduction. Only in an atmosphere of political stability, one can ensure better progress and prosperity in a society. SAARC should lay emphasis to its member-states for the creation of political stability through good governance. States embroiled in political ills wont be able to strengthen the unity and solidarity, progress and prosperity in the region. SAARC to succeed must explore proper ways and means to inspire member states to standby the prevalence of democracy, human rights, freedom, justice and good governance for the economic prosperity and well-being of the peoples of the region. Poor governance will only add to the deprivation, under-development, stark un-equalities and social ills. SAARC should create a regional net-work mechanism to enduce member-states to exhibit stronger commitment to improving the art of the government for public good.
5. **Regional Transport Connectivity.** The seven member-states of SAARC should be well-connected by the network of road, railways and air aviation - all modes of transportations to facilitate free and smooth movement of goods and services throughout the region.
6. **Joint Common Position.** SAARC should evolve an appropriate channel to promote articulation of a joint position in their efforts to address the challenges posed by globalization, liberalization and privatization and other international issues which are of common concern to the region.
7. **Indo-Pak Rapproachment.** As stated above, basically the future of SAARC depends upon the role of the two super-powers in the region- India and Pakistan. The prospect of better relations between these two powers enhances the better future of the region. The recent trends towards their normalization of relations is a welcome feature in mending their fences which will lead to a happy augury for the bright future of SAARC.
8. **Revitalisation of the role of Secretary General of SAARC.** The role of the SAARC Secretary General should be made pivotal by empowering more executive power of decision making. Structural changes in the SAARC Secretariat are necessary to make the regional body functioning more effective and meaningful.

9. SAARC business like meetings. SAARC meetings at different levels should be functional and more business like curtailing un-necessary pomp and grandeur.

**(Prof. Pradhan was Foreign Secretary
to His Majesty's Government of Nepal.)**