

CONFERENCES

Islamabad Policy Research Institute (IPRI) organizes international, regional and national conferences on a number of topics of national and international importance. Recommendations made by scholars and experts in their papers and presentations at the conferences held between January to June 2013 are summarized in the following sections.

Pakistan-India Trade Cooperation: Challenges and Opportunities

A national conference on “Pakistan-India Trade Cooperation: Challenges and Opportunities” was organized by Islamabad Policy Research Institute (IPRI) at IPRI Conference Hall, Islamabad on January 30, 2013. Four speakers *Dr. Kamal Monnoo*¹, *Mr. Shaikh Tariq Sadiq*², *Dr. Zafar Mahmood*³, *Ms. Salma Malik*⁴ participated in the Conference and put forward the following recommendations:

Recommendations

- Economic cooperation should be enhanced with India in following phases:
 1. Conversion of the positive list to the negative list and finalizing details on the number of items & time lines.
 2. Correcting the anomalies in the harmonised code duty structures.
 3. Granting of MFN status to India.
 4. Outside the SAFTA sensitive list of items — reduce duties from 0 to 5%.
 5. Relaxation of NTBs, development of trade-related infrastructure and strong measures for trade facilitation between the two countries.

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⁴ Assistant Professor, DSS Department, Quaid-i-Azam University, Islamabad.

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- Pakistan should be watchful about the effect of India's new water diversions through building new dams on its water need and agriculture.
 - The trade process should be handled by a carefully thought out and comprehensive package of agreements followed by sound monitoring and management mechanism that can bring about a win-win situation for the two countries.
 - Pakistan should also be careful about India's intentions since while it talks about cementing mutual ties with Pakistan through trade, its political moves like its recent strategic agreement with Afghanistan seems to be aimed at isolating or encircling Pakistan.
 - MFN status should be granted to India but before that Pakistan should make a well-structured agreement with it for removal of non-tariff barriers which negatively impact Pakistan's exports. Both countries should agree to reduce the number of items on the negative lists and India should also remove most of the textiles and agriculture goods (which Pakistan can export) from its negative list.
 - Economics should be used as a tool by Pakistan to strengthen its strategic position in the region.
 - There is a possibility that expansion of trade relations with India (on equal terms) could also unleash a soft process, which over time can be the key to resolving long standing sticky issues between the two sides.
 - Pakistan should accord MFN status to India since it has an obligation to do so under WTO rules and this can also benefit Pakistan's trade with India.
 - Pakistan should show vigilance in assigning the role of marketing intelligence collection to commercial attachés in India as India was quite active in this regard.
 - Pakistan should not be too optimistic about the success of liberalizing trade with India primarily because of its NTBs. In this context, Pakistan should adopt a step by step approach to save some segments of own industry from losses, being less competitive.
 - To make bilateral trade really profitable, after according MFN status to India, Pakistan should sign an FTA (free trade agreement) with India. ■

“Pakistan-China Economic Relations with Special Focus on Thar Coal, Kashgar Special Economic Zone and Gwadar Sea Port”

A national conference on “Pakistan-China Economic Relations with Special Focus on Thar Coal, Kashgar Special Economic Zone and Gwadar Sea Port” was organized by Islamabad Policy Research Institute (IPRI) at IPRI Conference Hall, Islamabad on March 13, 2013. Three speakers Mr. Fazal ur Rahman⁵, Dr. Shabir Ahmad Khan⁶, Professor Zhou Rong⁷ participated in the Conference and put forward the following recommendations:

Recommendations

- Think tanks in Pakistan and China should collaborate to hasten the pace of economic and cultural cooperation.
- Slow implementation of agreements by Pakistani side is an issue of concern that should be addressed.
- Pakistan has to work on its cooperation with China on fast track by slashing bureaucratic hurdles on its side as some projects of cooperation have already been lost due to mishandling by Pakistan officialdom.
- Factors that inhibit Pakistan’s exports to China such as trade infrastructure deficit, energy shortage, low labour productivity and low value addition facilities, anti-export bias and high taxation, lack of product and geographic diversity, and lack of economies of scale in Pakistan should be removed to increase Pakistani exports to China.
- The quality and quantity of Pakistani goods need to be improved. There is a need to revamp processing technologies to improve the quality of Pakistan’s exports.
- A huge volume of Pakistan exports to China are in raw material form, some of which are processed and value added by Chinese companies and re-exported to Pakistan. Pakistan should work with Chinese companies to process such goods within Pakistan.

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⁶ Assistant Professor, Area Study Centre (Russia, China and Central Asia), University of Peshawar, Peshawar.

⁷ Chief Correspondent in Pakistan for Chinese *Guang Ming Daily*.

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- The issue of apparent non-complementarity between Pakistan and China should be resolved through research.
 - For Chinese market, Pakistani entrepreneurs should produce goods that are exclusively designed for it.
 - Pakistani exporters should make serious efforts to diversify markets. They should quit mental fixation with western markets in order to search new markets in China.
 - Security environment in Pakistan prevents Chinese investors from coming to Pakistan. The situation should be improved as Chinese corporations and industry are guided by commercial and business interests, not government direction.
 - Pakistan should implement best trade practices in order to fight unregistered trade between Pakistan and China.
 - The entrepreneurs in Pakistan need to understand Chinese market and avail the opportunities provided under the Pak-China Free Trade Agreement. For instance, Pakistan is the cheapest supplier of bed wear in the world and China does not levy any duty on bed wear imports from Pakistan but during the last year not a single bed sheet was exported to China.
 - Business negotiations on projects like Saindak Project should be done on the basis of updated information.
 - Pakistani businessmen should learn the Chinese language and develop the skill to read and speak Chinese fluently.
 - Dynamics of China are changing fast and Pakistan should adopt its policies to match with the changes in the Chinese market. ■

“Geopolitical and Economic Imperatives of IP and TAPI Gas Pipelines”

A national conference on “Geopolitical and Economic Imperatives of IP and TAPI Gas Pipelines” was organized by Islamabad Policy Research Institute (IPRI) at IPRI Conference Hall, Islamabad on April 18, 2013. Three speakers Dr. Nazir Hussain⁸, Dr. Gulfaraz Ahmed⁹ and Ms. Asma Shakir Khawaja¹⁰ participated in the conference and made following recommendations:

Recommendations

- Pakistan should continue pursuing IP gas pipeline due to following benefits:-
 - It will meet 75% of energy need through IP project which would be available for 20 years.
 - The most viable and cheapest option is a gas pipeline project for Pakistan; it can save its depleting foreign reserves, since IP would cost \$3billion to Pakistan but it would reduce oil imports by \$5.3 billion. IP is the cheapest of the four external options of energy production available to Pakistan i.e., IP overland, TAPI overland, Qatar-Pakistan undersea pipeline and LNG import from Qatar.
- TAPI is equally important for Pakistan and this project should also be implemented parallel to IP project as:-
 - It will provide job opportunities during construction and operation and create the environment for developing industrial capacities in the concerned region.
 - TAPI project has the potential to create a joint economic ring in the region and in the long-term, the economic profits will create a security ring. It has huge potential for regional cooperation.
 - TAPI provides plausible economic opportunities to Pakistan, India and Afghanistan. They will get steady

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⁹ Former Secretary Ministry of Petroleum, Islamabad.

¹⁰ Assistant Professor, Peace and Conflict Studies, National Defence University, Islamabad.

- supply of affordable gas. Moreover, new markets will be opened for landlocked Turkmenistan as it can extend its exports to the east where there is remarkable demand for energy.
- There is great possibility of TAPI's and IP's success in connecting the region for solving regional problems by the implementation of such win-win projects.
 - Gas pipeline projects are in the national interest of Pakistan, therefore, political leadership should not compromise on these pipelines. Pakistan being a big gas market should utilize these opportunities for energy production. If Pakistan does not opt for pipeline projects then it would have even more serious consequences than the ones the US is likely to impose on Pakistan for pursuing the gas project with Iran.
 - Pakistan should explore possibilities of extending TAPI and IP to other regional countries as well. Due to its crucial geo-strategic location, Pakistan can become an 'Energy Corridor' in the region if China, Bangladesh and India also join these pipelines. The possibility of extension of TAPI and IP to China and Bangladesh provide opportunities to Pakistan to get transit fee and turn its fragile economy into a transit economy. Technically and economically, China could be roped in the pipeline projects, though it would be a big challenge. However, China has a capacity to meet those challenges.
 - Political will is required to materialize the ongoing energy projects as cheaper for industry and agriculture.
 - Keeping in view the geo-political impediments particularly in terms of Pak-India relations they should focus firstly on conflict resolution and then on CBMs.
 - The US and Russia have a major role in the conflicting interests of regional and global powers. Therefore, there should be some understanding between Pakistan and Russia to materialize the TAPI gas pipeline project.
 - Regional cooperation leading to economic integration could be spawned by the regional gas trade/pipelines, therefore, delay or denial of inter-state gas pipelines would be highly disadvantageous.■

“Solutions for Energy Crisis in Pakistan”

Islamabad Policy Research Institute (IPRI) organized a two-day national conference in collaboration with Hanns Seidel Foundation (HSF), Islamabad, on “Solutions for Energy Crisis in Pakistan,” on May 15-16, 2013, in the Islamabad Hotel, Islamabad. Speakers were Dr. Shaheen Akhtar¹¹, Mirza Hamid Hasan¹², Dr. Khanji Harijan¹³, Dr. Vaqar Ahmed¹⁴, Dr. Gulfaraz Ahmad¹⁵, Dr. Ehsan Ali¹⁶, Syed Shaukat Hasan¹⁷, Mr. Ejaz Ahmad Khan¹⁸, Barrister Aemen Maluka¹⁹, Advocate Aameena Sohail²⁰, Dr. Nazir Hussain²¹, Mr. Muhammad Mustansar Billah Hussain²², Mr. N. A. Zuberi²³, Mr. Salman Qaisrani²⁴, Dr. Shaukat Hameed Khan²⁵

Recommendations

The conference brought forth a number of recommendations which are summarized below:

- The energy crisis is a serious challenge that requires serious and sustained effort on part of the government. There can be no quick fixes. It would require short term, medium term and long term measures as well as some hard policy decisions.

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¹⁶ Head of Department, Centre for Energy Systems, NUST, Islamabad.

¹⁷ Director, Pakistan Atomic Energy Commission, Islamabad.

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- It is imperative to improve governance in order to formulate power policies based on merit rather than vested interests, check power theft, ensure full revenue recovery, and curb corruption.
 - A well deliberated, clearly articulated and sustainable policy based on least-cost options is the foremost requirement.
 - Circular debt is by far the most serious problem that needs to be addressed on urgent basis. One possible solution to deal with circular debt is through creation of a circular debt retirement fund under an organization. The fund could be financed by a consortium of banks and financial institutions under guarantee of the government.
 - Cost of generating electricity can be minimized by: optimal choice of technology of power plant and its thermal efficiency; type of fuel that the plant uses; size of the plant to exploit economy of scales; and location of plant in relation to the centres of consumption.
 - Across the board subsidies are never a good policy option. Such subsidies not only result in wasteful use of valuable resources but also put unnecessary burden on other consumers and the public exchequer.
 - Pigouvian taxes may not be the best solution for Pakistan's political and legal environment even though they may have, in the past, produced the desired results in many Western jurisdictions. In this context, a policy review is warranted.
 - The 18th Amendment touched upon electricity in a cursory manner, leaving behind a number of lacunas. However, the CCI, could manage the affairs through a pro- active approach.
 - Provincial governments should generate energy and start building power plants on their own.
 - Renewable energy sources can be used instead of fossil fuels for many applications. Wind energy, solar energy, hydropower and biomass energy can be exploited for electricity generation. Overall renewable energy sources can meet 17 to 30 per cent of Pakistan's energy needs by 2030. However, the basic criteria should be its economic viability. It would be foolhardy to generate expensive

electricity through these means if other cheaper options are available.

- Pakistan is blessed with rich hydro power potential of 60,000 MW which can be tapped to meet its current and future energy requirements. It would be worthwhile to de-link energy generation from irrigation and focus on run of the river projects.
- A well planned policy shift should be made to correct the energy-mix by shifting our focus from oil-based thermal power to hydel and nuclear power.
- Pakistan must work expeditiously to complete all non-controversial hydel projects such as Dia Mir Bahsa, Dasu and Bunji Dams etc. Run of the river projects should be prioritized as they are relatively cheaper; take less construction time and are environment friendly.
- Vigorous and cost-effective measures should be taken for promoting the use of micro-hydel, wind and solar energy at the household level and in off-grid remote areas.
- Pakistan must make use of the sugarcane molasses for making bio-fuels. At present around 2 to 2.5 million tons of molasses is being produced in Pakistan. However, 80 per cent of the molasses is being exported at nominal price instead of using it to produce bio-fuels.
- There are around 6000 bio-gas plants in Pakistan but their production cost is high, as presently decomposition is being done through slow natural process, if some catalyst is used the process would become cost effective.
- In the current energy scenario, nuclear power can play a vital role. Nuclear power is a safe, clean and reliable source of electricity. Nuclear power has a key significance in providing base-load electricity and minimizing imports of oil, gas and coal. It is essential to continue with the development of nuclear power, even at a modest pace, in order to develop local capabilities and to meet Pakistan's future electricity needs.
- The area near Gadani, Balochistan, is suitable for coal project with potential of producing 4000 MW. There is ample land available with very low population density. The environmental impact of the imported coal project at this

location would be minimal. An Ultra Mega Power Park of at least 3600 MW may be built there.

- Coal Water Slurry (CWS) is a new type of liquid fuel that can, to some extent, replace petroleum as fuel in the energy conversion and process industries. It, also, has less infrastructure cost and high combustion efficiency.
- In order to meet the massive demand of energy, Pakistan has four external options: the Iran-Pakistan (IP) gas pipeline, Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, Pak-Qatar gas pipeline project and import of Liquefied Natural Gas (LNG). Out of these options, only the IP gas pipeline project is without the regional or international cooperation. For the remaining three options, the financial support, investment opportunities and international cooperation are available. Therefore, Pakistan can fast-track the available options by involving other regional, international stake-holders through proactive diplomacy.
- Direct electricity purchase agreements may be concluded with neighbouring countries on the pattern of Central Asia South Asia Electricity Trade and Transmission Project (CASA 1000), while keeping the primary focus of purchasing the commodity at affordable price.
- Conservation of energy is a huge source of adding to the energy supply. It aims at bringing the existing energy into efficient use by eliminating wasteful internal use, minimizing losses and theft and reducing the energy intensity. By a broad estimate we could add over 20 per cent to our energy availability through conservation.
- Steps should be taken to educate the public in power conservation by launching media campaigns against electricity wastage. Universities, think tanks and media can play an important role in energy conservation through innovative concepts and public awareness.
- Energy efficiency in buildings can be improved by incorporating design-related best practices appropriate to our environment, coupled with traditional materials, technologies and craftsmanship. An energy efficient building could reduce annual energy bills up to 40 per cent.

- Rebalancing in energy mix with increased focus on hydroelectricity and nuclear power generation offers a way out of energy crisis.
- Public-private partnership in hydropower sector should be reinvigorated. This will help in raising financial resources for these projects.
- Political consensus on the big hydro projects should be developed.
- The formation of a single ministry in charge of the entire energy sector, the formulation of a long-term integrated policy and complete autonomy to regulators coupled with intense drive to increase public awareness about energy conservation offer the way out.
- In Pakistan, approximately 6.3 million hectares of agricultural land is salt-affected. Salt concentration in the soil does not allow any cash crop to grow; however, this type of land can be utilized for growing algae for biofuel production.■

Pakistan-Russia Relations: Emerging Strategic and Economic Dynamics

A national conference on “Pakistan-Russia Relations: Emerging Strategic and Economic Dynamics” was organized by Islamabad Policy Research Institute (IPRI) at IPRI Conference Hall, Islamabad on June 26, 2013. Three speakers Dr. Zafar Nawaz Jaspal²⁶, Syed Muhammad Ali²⁷, Ambassador (R) Mohammad Khalid Khattak²⁸, Dr. Azmat Hayat Khan²⁹ participated in the conference. Deliberations during the conference brought forth a number of recommendations which are summarized below:

- a) The Russians have equally competitive environment for scientific education. Hence, while sending our students to European countries or US we can simultaneously develop cooperation with Russia in

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scientific education sector as Russia is closer to Pakistan and the cost of education is affordable. Higher Education Commission (HEC) needs to consider this suggestion.

- b) Russia has offered Pakistan US dollar 500 million for enhancement of the capacity of the Steel Mill in Karachi developed by them in the Soviet era. They are interested in investing in Muzaffargarh and Thar coal power projects and other areas. Pakistan should consider cooperating with Russia in these areas to develop strategic partnership.
- c) For Pakistan, Russia can be a major export market and an investor in energy projects. Pakistan, on the other hand, can provide a secure southern trade route to Russia and cooperate in several fields including counter-terrorism and anti-narcotics.
- d) Pakistan can seek Russian assistance for the improvement of its railway. Pakistan Railway is a national asset, it needs improvement. Russia has huge expertise in this field, as it manages the largest railway system in the world — the Siberian Railway. Connecting Gwadar to Russia and Central Asian States through rail link is the need of time.
- e) Russia has expertise in the fields of nano-technology, micro-electronics, and space technology. Pakistan can also benefit from Russia's nuclear technology. Russia is assisting several countries in the field of nuclear technology including Turkey. Pakistan may focus on benefiting from Russian expertise in these field.
- f) Pakistan should cooperate with Russia in achieving post US withdrawal peace in Afghanistan and for future stability of Central Asian States. ■