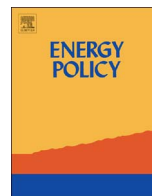




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Regional cooperation on energy in South Asia: Unraveling the political challenges in implementing transnational pipelines and electricity grids



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HIGHLIGHTS

- Political impediments constitute the key obstacle to energy cooperation in South Asia.
- These political challenges have not been the subject of evidence-based analysis.
- The paper uses data from interviews with policymakers in four South Asian countries.
- Leadership and astute planning are identified as necessary in order to overcome political obstacles.

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ABSTRACT

Political challenges are arguably the biggest constraint to the realization of regional energy projects in South Asia, an issue that has impeded cooperation despite the existence of substantial economic incentives. Although challenges such as technical difficulties, financial constraints and bureaucratic inefficiency are important, they are essentially subsidiary issues, the solutions to which are held hostage by often mentioned but rarely examined political impediments. While existing accounts of political obstacles in contemporary literature are relatively abstract, this paper draws on interviews with government officials, academics, representatives of regional institutions and officials of multilateral development banks in Bangladesh, Nepal, Pakistan and India to get insights into their experience of possibilities for and limitations to energy cooperation. By synthesizing the findings of interviews with relevant literature, this paper undertakes a systematic analysis of the political challenges to regional energy projects and provides a number of policy recommendations to overcome these impediments.

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1. Introduction

Since the Partition of the Indian subcontinent in 1947, inter-state and intra-state conflicts, mistrust and enmity have become ingrained in the region to the extent that a state of perpetual conflict, unimaginable and unacceptable in most parts of the world, is unconsciously perceived as “business as usual”. As South Asian nations¹ have been accustomed to operating in such an

unusual state of “normalcy”, the attitudes of policymakers and academics have stressed the need to be independent of neighboring states on all issues, from water and energy to combating climate change, infectious diseases and natural disasters. These myopic perceptions have been reflected in official policies on trade, security and natural resources and have wide acceptance in all South Asian countries. The region today is infamous for its lack of integration, with the South Asian Association for Regional Cooperation (SAARC) having achieved very little in terms of facilitating trade and connectivity. Within the gamut of regional cooperation, an issue that has garnered immense academic interest has been the potential of energy trade.² The eight countries of South Asia are currently at the heart of the debate on the nexus

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¹ This analysis focuses on the South Asian states of India, Bangladesh, Pakistan, Afghanistan, Nepal and Bhutan. While we recognize that Sri Lanka and the Maldives are also part of the South Asian region, the focus of this study on transboundary cooperation in particular means that this study does not include these two island nations.

² For an overview of the energy mixes of individual countries and the potential of energy trade in South Asia please refer to [Ebinger \(2011\)](#).

between energy, environment and sustainable development. South Asia is one of the most energy insecure regions in addition to being extremely vulnerable to the effects of climate change. Chronic energy shortages, dependence on costly imported hydrocarbons that increase the threat of climate change and constraints to renewable energy due to financial, behavioral and technical limitations, combine to create a set of complex and interlinked problems that need to be urgently addressed for the region to continue to grow and reduce poverty. Although regional cooperation has been suggested as a potentially sustainable and environmentally friendly solution to these issues, so far no multilateral energy projects have been undertaken and bilateral cooperation remains limited.

Studies on regional energy cooperation have been undertaken by academics such as Singh (2013), Misra and Srivastava (2007), Lama (2000a), Lall (2009), Kohli (2012), Dhungel (2008) and Thakur and Kaushik (2004), among others. In addition, literature on regional energy cooperation spans Multilateral Development Banks, such as the World Bank (ESMAP, 2008) and the Asian Development Bank (Wijayatunga and Fernando, 2013); international institutions such as the U.N. (ESCAP, 2013) and USAID (USAID, 2008); regional institutions such as SAARC (Malikyar et al., 2010); and studies undertaken by think-tanks in the South Asian region such as the South Asia Watch on Trade, Economics and Environment (SAWTEE) (Gippner, 2010). One of the largest and most important projects undertaken on regional cooperation has been the USAID-funded South Asia Regional Initiative for Energy Integration (SARI/EI) which addresses policy issues related to energy cooperation, promotes transmission interconnections and works towards establishing a regional market for electricity.

While the various academic and institutional studies on energy cooperation have made important conclusions, the majority of these studies have based the essence of their analysis on why regional energy projects *should be implemented*, while the question of addressing *why such projects have not been implemented* has not been the focal point of contemporary literature. Although the studies mentioned above do not exclusively analyse impediments, they do make some mention of challenges to cooperation. Financial constraints, bureaucratic issues, technical and social issues and political and security challenges receive considerable attention by academics. However, it is obvious from the literature review that political impediments are more consequential than other challenges.

Thakur and Kaushik (2004) and Gippner (2010) have stated that political issues, which are often construed as inherently connected to security challenges, are the biggest obstruction to the materialization of regional energy projects. Dhungel (2008: 186) has claimed that political issues are “the single most important barrier to promoting South Asian countries’ electricity trade”. A study by the World Bank (ESMAP, 2008: 15) has reiterated this perception by stating “A wide range of factors have hitherto inhibited the growth of intraregional and interregional energy trade. The most important among them relate to the political and security situation prevailing in the region and its neighbors”. Studies by Ebinger (2011), Lama (2007) and ESCAP (2013) also point to the significance of political challenges. However, while these studies identify political issues as the key impediment to cooperation, there is a conspicuous absence of detailed analyses of this challenge.

Political challenges are arguably the biggest constraint to the realization of regional energy projects in South Asia, an issue that has impeded cooperation despite the existence of substantial economic incentives. Although challenges such as technical difficulties, financial constraints and bureaucratic inefficiency are important, they are essentially subsidiary issues, the solutions to which are held hostage by the often mentioned but rarely

examined political impediment. Compounding the lack of detailed analyses on political impediments is the abstract nature of the subject. Unlike technical and financial issues, politics cannot be easily measured. Therefore, while acknowledging the wide range of challenges to energy cooperation, the exclusive focus of this paper on political impediments is inspired by the primacy of such challenges established in literature, the lack of detailed analyses of political impediments and with a view to create a systematic categorization of the issue in order to address the abstract nature of much of this literature.

Drawing on detailed literature review and interview data, this paper systematically examines political impediments to energy cooperation and argues that overcoming obstacles to cooperation means reorienting political considerations in the region and establishing institutions consistent with these goals.

This paper will first explain the methodology of the study before outlining a conceptual framework that best accounts for the existing regional politics of energy cooperation. A comprehensive analysis of the political impediments to the implementation of energy projects will be followed by recommendations and a conclusion.

2. Methodology

To identify political challenges to energy cooperation and explore remedial policy options, this study draws on an extensive literature review as well as interviews with policymakers in South Asia. Literature review consisted of academic as well as institutional studies and project documents. From October 2014–March 2016, the primary author undertook 45 in-country interviews with policymakers in India, Nepal, and Bangladesh. Skype and email interviews were undertaken with policymakers in Pakistan. The respondents included government officials, academics, representatives of regional institutions and officials of multilateral development banks. In addition to interviews, the fieldwork component of this study included 1–3 months Visiting Fellowships in think-tanks in India and Nepal, notes collected from conferences, literature recommended by interview respondents and the collection of documents such as locally printed books, reports and PhD theses. After the data was triangulated and analyzed, the results were interpreted to provide answers to the research question.

3. Theories on challenges to cooperation

The two main schools of thought in international relations theories, liberalism and realism, provide diverse perceptions of the possibility of cooperation, influenced by their varied interpretation of world affairs. While realism is based on the notion that the absence of a global authority (anarchy) renders cooperation extremely difficult and limited, liberals argue that due to the interest of states in mutually beneficial outcomes, cooperation is highly possible despite the anarchy of the global system (Viotti and Kauppi, 2012). Regime theory, which conceptualizes the modalities of international organizations, has both liberal and realist interpretations, with liberals stressing the role of international organizations in creating an environment conducive to cooperation while realists insist that regimes are merely an extension of a state’s national interests (Dunne et al., 2013).

These mainstream theories of international relations are limited in accounting for the political obstacles to energy cooperation in South Asia. Approaching challenges to cooperation from the realist perspective implies that constraints imposed by anarchy and the security dilemma are inevitable and exist independently

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