

**A COMPARATIVE STUDY OF ENERGY SECURITY IN INDIA  
AND SOUTH KOREA'S FOREIGN POLICIES, 1992-2012**

**Thesis submitted to Jawaharlal Nehru University in fulfillment of the requirements for  
award of the degree of**

**DOCTOR OF PHILOSOPHY**

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## DECLARATION


I declare that the thesis entitled “**A Comparative Study of Energy Security in India and South Korea’s Foreign Policies, 1992-2012**” submitted by me for the award of the degree of **Doctor of Philosophy** of Jawaharlal Nehru University is my own work. The thesis has not been submitted for any other degree of this University or any other university.

  
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## CERTIFICATE

We recommend that this thesis be placed before the examiners for evaluation.

  
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# CONTENTS

**Acknowledgement**

**List of Tables, Figures and maps**

**Abstract**

	<b>Page No.</b>
<b>Chapter 1 – Introduction</b>	<b>1-22</b>
Introduction	1
Definition of Energy Security	3
India’s Energy Scenario	3
South Korea’s Energy Scenario	5
South Korea’s Energy Security Measures	8
Review of Literature	9
Definition, rationale and scope of the study	19
Chapterisation	21
<b>Chapter 2- Trends in Foreign Policies of India and South Korea</b>	<b>23-99</b>
Trends in India’s Foreign Policy	23
Geopolitics Economy and Foreign Policy	29
India’s Foreign Policy towards the US	34
India’s Policy on Russia	41
India’s Policy on China	49
India’s Relations with Pakistan	51

India and Southeast Asia	54
India's Policy on West Asia	59
India and Central Asia	64
India's Foreign Policy towards Africa	70
South Korea's Foreign Policy	74
South Korea's Policy on US	82
South Korea's Policy towards North Korea and Relation with the US	84
South Korea's Policy on China	89
South Korea's Policy on West Asian Arab countries and Israel	92
South Korea Iran Relations	97
<b>Chapter 3- Energy Security in India's Foreign Policy</b>	<b>100-144</b>
Energy Trends in India	100
West Asia in India's Energy Security	111
India's Policy towards Iran and Energy Security	116
Africa in India's Energy Security Calculus	123
Natural Gas and India's Energy Security	129
India's Nuclear Energy	133
<b>Chapter 4- Energy Security in South Korea's Foreign Policy</b>	<b>145-192</b>
South Korea's Energy Trends	145
West Asia and South Korea's Energy Security	150
Energy and Policy Towards Central Asia	156
Foreign Policy Towards Africa and Energy Security	164
Southeast Asia and South Korea's Energy Security	170

Natural Gas, Russia and Energy Security	175
Nuclear Energy Security and Relation with the US	189
<b>Chapter 5- Comparative Analysis of Energy Security and Foreign Policies of India and South Korea</b>	<b>193-243</b>
Changing Direction in Energy Policy	196
Africa in India and South Korea's Energy Calculus and the Course of Foreign Policy	197
Latin America and the Caribbean (LAC) and Indian and South Korea	213
Development Assistance as Foreign Policy Tool	222
India's Energy Security and Policy of Cooperation	227
South Korea's Energy Security and Policy of Cooperation	235
<b>Chapter 6- Conclusion</b>	<b>244-251</b>
<b>Reference</b>	<b>252-281</b>



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**Tables and Figures****Page No.**

<b>Table. 1.1</b>	<b>Top 12 Oil Importers and Exporters</b>	<b>2</b>
<b>Figure 1.1</b>	<b>- Total Energy Consumption in India, 2012</b>	<b>4</b>
<b>Table. 1.2</b>	<b>- Energy Scenario for World and India (2012)</b>	<b>5</b>
<b>Figure 1.2</b>	<b>- South Korea total primary energy consumption by fuel type, 2012</b>	<b>6</b>
<b>Table 1.3</b>	<b>- South Korea's Energy Security Measures</b>	<b>8</b>
<b>Figure 2.1</b>	<b>- India-Pakistan Bilateral Trade</b>	<b>53</b>
<b>Table 2.1</b>	<b>- India's Trade with the African Region (Unit: US\$ million)</b>	<b>72</b>
<b>Figure 2.2</b>	<b>- South Korea's Characteristics of Diplomacy</b>	<b>81</b>
<b>Figure 2.3</b>	<b>- Diplomatic Channels Linking Seoul-Beijing-New York-Pyongyang</b>	<b>77</b>
<b>Table. 2.2</b>	<b>- South Korea's Total Trade with Israel 1980-1994</b>	<b>92</b>
<b>Table 2.3</b>	<b>- South Korea's Total Trade with Israel and Arab West Asian Countries 1992-2012 (in million US\$)</b>	<b>94</b>
<b>Table 3.1</b>	<b>- Trends in Demand and Supply of Primary Energy</b>	<b>101</b>
<b>Table 3.2</b>	<b>- Vision 2025-Share of Future Energy Supply* in India (%)</b>	<b>102</b>
<b>Figure 3.1</b>	<b>- Total Energy Consumption in India, 2012</b>	<b>103</b>
<b>Table 3.3</b>	<b>- Trends in Production of Energy in India by Primary Sources (1970-2012)</b>	<b>105</b>
<b>Figure 3.2</b>	<b>- Required Energy Investment, 2011-35 (US\$ billion)</b>	<b>106</b>
<b>Table 3.4</b>	<b>- Trends of Foreign Trade in Coal, Crude Oil and Petroleum Products in India (1970-2012)</b>	<b>107</b>
<b>Table 3.5</b>	<b>- Majority Commodity Composition of India's Imports (in percentage)</b>	<b>108</b>
<b>Table 3.6</b>	<b>- Share of Major Resource Countries in India's Crude Oil Imports (in percentage)</b>	<b>109</b>
<b>Figure 3.3</b>	<b>- Projection of Oil and Natural Gas Import Reliance of Major Economies (2010-2020)</b>	<b>110</b>

<b>Table 3.7 - Oil Import Values (in US\$ million) for the Period 2006-07 to 2011-12</b>	<b>113</b>
<b>Table 3.8 Oil Import by Quantity (in million tonnes) for the Period 2006-07 to 2012-13</b>	<b>114</b>
<b>Table 3.8 - LNG Imports Values (in US\$ millions) for the Period 2006-07 to 2012-13</b>	<b>115</b>
<b>Table 3.9 - Iran Oil and Gas Reserves</b>	<b>117</b>
<b>Figure 3.4 - IPI and TAPI Gas Pipeline Projects</b>	<b>119</b>
<b>Table 3.10 - India's Energy Imports from African Countries</b>	<b>125</b>
<b>Table 3.11 - ONGC Investments in Africa</b>	<b>127</b>
<b>Table 3.12 - India's Major Successful Energy Projects in Africa</b>	<b>128</b>
<b>Figure 3.5 - India's Installed Power Capacity</b>	<b>136</b>
<b>Table 3.13 - India's Operating Nuclear Power Reactors</b>	<b>137</b>
<b>Figure 4.1 South Korea's Oil Consumption, 1991-2013 (mbd)</b>	<b>146</b>
<b>Table 4.1 Import Amount of Energy</b>	<b>148</b>
<b>Table 4.2 - Crude Oil Supply from West Asia</b>	<b>149</b>
<b>Figure 4.2 - South Korea's Petroleum Import By Region 1992-2012</b>	<b>150</b>
<b>Table 4.3 - South Korea's Total Trade with Middle Eastern Nations 1965- 1979 (in million US\$)</b>	<b>151</b>
<b>Table 4.4 - South Korea's Total Trade with Israel 1980-1994</b>	<b>152</b>
<b>Table 4.5 - South Korea's Total Trade with Israel, West Asia and North African Countries 1992-2012 (in million US\$)</b>	<b>153</b>
<b>Table 4.5 - Proven Oil and Natural Gas Reserves of Central Asian Countries (2012)</b>	<b>157</b>
<b>Table 4.6 - Crude Oil Exploitation Project from 2003 to 2015</b>	<b>158</b>
<b>Table 4.7 - KNOC in Kazakhstan</b>	<b>160</b>
<b>Table 4.8 - KNOC in Uzbekistan</b>	<b>161</b>

<b>Table 4.9 - KOICA’S Annual Assistance by Region, 2008-2012</b>	
(Units: Thousand US\$)	<b>163</b>
<b>Table 4.10 - KOICA’s Top 5 Eastern Europe/CIS Recipients in 2012</b>	<b>164</b>
<b>Table 4.11 - Diplomatic Relations of the Two Koreas with Africa till 1968</b>	<b>166</b>
<b>Figure 4.3 - South Korea’s ODA System</b>	<b>168</b>
<b>Figure 4.4 -South Korea’s Commitment-Based Total ODA and ODA to Africa</b>	
<b>1987-2010</b>	<b>169</b>
<b>Figure 4.5- South Korea’s Loans and Grants Disbursement in Africa</b>	<b>170</b>
<b>Figure 4.6 - Fossil fuel producing Southeast Asian countries</b>	<b>171</b>
<b>Figure 4.7 - Southeast Asian Oil Production (mbd)</b>	<b>171</b>
<b>Figure 4.8 - Southeast Asian Gas Production (bcm)</b>	<b>172</b>
<b>Table 4.12 - South Korea’s FDI outflow</b>	<b>173</b>
<b>Table 4.13 - South Korea’s FDI Realization in Indonesia</b>	<b>173</b>
<b>Table 4.14 - LNG Imports from Indonesia 2002-2012</b>	<b>174</b>
<b>Figure 4.9 - LNG Consumption by End Use</b>	<b>181</b>
<b>Table 4.15 - Electricity Generation by Fuel Type</b>	<b>182</b>
<b>Table 4.16 - LNG Imports by Country of Origin (1992-2012)</b>	<b>183</b>
<b>Figure 4.10 - LNG Imports 2000</b>	<b>184</b>
<b>Figure 4.11 - LNG Imports 2012</b>	<b>185</b>
<b>Table 4.17 - South Korea’s Existing Long Term LNG Contracts as of 2012</b>	<b>186</b>
<b>Figure 4.12 - Shipping Distance to South Korea (Nautical Miles)</b>	<b>187</b>
<b>Table 4.18 - KOGAS's Overseas Equity Participation</b>	<b>188</b>
<b>Table 4.19 - South Korea’s Nuclear Power Units</b>	<b>189</b>
<b>Figure 5.1 - South Korea’s Overseas Resource Development</b>	<b>197</b>
<b>Table 5.1 - India’s Development Cooperation with African</b>	
<b>Regional/Multilateral Bodies</b>	<b>201</b>

<b>Table 5.2 - India's Trade with Africa, 1997-2013</b>	<b>202</b>
<b>Table 5.3 -India's Major Defence Cooperation and Activities with African Countries</b>	<b>209</b>
<b>Figure 5.2 - India's Trade with Latin America in Comparison with South Asia and Africa (US\$ million)</b>	<b>215</b>
<b>Figure 5.3 - South Korea's Agreements with LAC countries (1990-2012)</b>	<b>219</b>
<b>Figure 5.4 - South Korea's ODA Assistance in Three Regions 2000-2013 (Millions US\$)</b>	<b>220</b>
<b>Table 5.4 - South Korea Companies' Energy Projects in LAC</b>	<b>221</b>
<b>Figure 5.5 - South Korea's ODA - Net Disbursement (US\$ millions)</b>	<b>223</b>
<b>Table 5.5 - South Korea's Total Assistance to the Eastern European/CIS Region (US\$10,000)</b>	<b>224</b>
<b>Figure 5.6 - Organisational Chart of India and South Korea's Development Assistance till 2012</b>	<b>225</b>
<b>Table 5.6 - India's Region-wise Lines of Credit till 2013</b>	<b>226</b>
<b>Table 5.7 - Generation Cost by Source (2012)</b>	<b>240</b>
<b>Table 5.8 - South Korea's Total Trade with West Asian Countries 1990-2010 (US\$ Millions)</b>	<b>241</b>

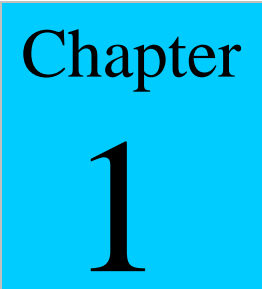
## **Maps**

<b>Map 3.1 – Delaram-Zaranji-Chahbahar Highway</b>	<b>122</b>
<b>Map 3.2 - India Natural Gas Infrastructure</b>	<b>130</b>
<b>Map 4.1 - Map of KNOC's World-wide Operations</b>	<b>147</b>
<b>Map 4.2 - Proposed Gas Pipeline from Russia to South Korea</b>	<b>179</b>
<b>Map 5.1. - Oil Infrastructure in Sudan and South Sudan</b>	<b>204</b>
<b>Map 5.2 - Proposed Myanmar-Bangladesh-India Pipeline</b>	<b>230</b>

## ABSTRACT

Energy security has been an inseparable issue for most of the developed and developing economies and without this it is near impossible for nations to achieve economic growth. In the era of rapidly industrializing nations the main concern has been to secure oil and gas for they play a pre-eminent role in world geopolitics. India's economic liberalization initiated in 1991 led to an array of changes in the political, economic, social and cultural spheres. The economy witnessed gradual growth as a result of this which peaked in the mid 2000. South Korea witnessed a different kind of development path that made the East Asian nation one of the top economies of the world. The demise of erstwhile Soviet Union brought about major changes in the foreign policies of India and South Korea, which aimed to develop their economy and play a global role. India and South Korea Traditionally, India and South Korea have been heavily dependent on the West Asian region for crude oil and natural gas. Increasing energy demand, volatile West Asia and the necessity to ensure a sustained energy import at an affordable price that will not affect the economy pushed India and South Korea to diversify their energy sources which resulted in 'energy diplomacy' of pro-active and multifaceted engagements across the world to ensure energy import or access to energy resources in foreign soils.

Both countries have been engaged in energy pursuit in African, Central Asian and Latin American region and in the process they have been competing and cooperating with other world players for the need of energy. Both the countries' foreign policies have undergone many changes. Though energy calculation is not the sole rationale for partnering or cooperating with the countries with which traditionally they had no or minimal or not-so-friendly relation in the past, energy security has been the driving force in both India and South Korea's multifaceted engagement with energy resource-rich countries that gained geostrategic importance over the years. In their pursuit of energy resources that is linked to geostrategic dimension they have gone beyond their tradition alliance pattern or ideological orientation and formed energy-alliance with resource rich countries. Both India and South Korea did not attach any political or ideological agenda in their pursuit of economic interest, in this case, energy interest. Building partnership on the energy front and cooperating with countries bilaterally and multilaterally have become one of their ways to reduce the risk of energy insecurity.

A blue square graphic containing the word "Chapter" in a black serif font at the top and a large black number "1" in the center.

## INTRODUCTION

Energy security concerns in the global context have been dominating ever since the first oil-shock affected the economies of the major energy importing countries and even made other developing countries that had projected higher growth in the coming decades and dependence on energy needs for the same. In the seventies when the oil-exporting countries decided to determine the price of oil through mutual consultations among themselves under the aegis of the Organisation of Petroleum Exporting Countries (OPEC) and this phenomenon was even perceived as a threat from the ‘oil cartel’<sup>1</sup>

Since the nineteen seventies, the debate on energy security has been an integral part of any emerging economy’s foreign economic policy. The emerging economies having seen the United States leveraging its oil needs to rationalize its domination global oil regime and strategizing its presence in the oil-supply and oil rich regions of Persian Gulf and Central Asia the competition among them and growing concern over their energy security has been redefining the concept of security. The end of the Cold War had removed the major constraint on the freedom of U.S. action in West Asia and other parts of the world. The U.S. has shown its military power in West Asia to protect the region’s oil supplies to the world market<sup>2</sup>. However, the end of Cold-war with the changed alliance equations and rapid globalization and economic growth of newly emerging economies the global context is undergoing changes which makes energy supply and energy security even more complex. Immense and comprehensive changes have been

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<sup>1</sup> p.1, Pant Girijesh, *India - The Emerging Energy Player*, citation C. Fred Bergsten (1973), ‘The Threat from the Third Wrold’, *Foreign Policy*, 11: pp. 102-24.

<sup>2</sup> The US foreign policy objectives based on oil trade and instances of its sanctions on Iran, Libya and Iraq without recognizing the long-term implications for the global oil market all these made the supply market fragile and escalating the new form of security risk: energy security

taking place integrating Russia and other former members of the Soviet Union into the world economy which directly includes their energy sectors<sup>3</sup>.

**Table. 1.1 Top 12 Oil Importers and Exporters**

Rank	Resource Importers	Unit mbpd	Rank	Resource Exporters	Unit mbpd
1.	United States	7.4	1	Saudi Arabia	8.9
2.	China	5.9	2	Russia	7.2
3.	Japan	4.6	3	United Arab Emirates	2.6
4.	India	2.6	4	Kuwait	2.4
5.	South Korea	2.2	5	Nigeria	2.3
6.	Germany	2.2	6	Iraq	2.2
7.	France	1.7	7	Iran	1.9
8.	Singapore	1.4	8	Angola	1.8
9.	Spain	1.3	9	Venezuela	1.7
10.	Italy	1.2	10	Norway	1.7
11.	Taiwan	1.1	11	Canada	1.6
12.	Netherlands	0.9	12	Algeria	1.5

Source: U.S. Energy Information Administration data in Partenen (2015), p. 130

The new global players i.e. the emerging economies like China and India, in the energy market and their policies have impacted the functioning of oil regime. One such instance would be countries like Turkey, Spain and South Korea have been building strategic petroleum reserve (SPR) to insulate them for a certain period in the event of an oil shock scenario of 1970s.

<sup>3</sup> p.2, Mitchell, V. John and Peter Beck et.al. (1996), *The New Geopolitics of Energy*, Royal Institute of International Affairs: London

### Definition of Energy Security

Energy becomes a major concern for national security when a country loses its ability meet the demand for energy for its sustainable economic growth and/or to ensure its citizens a certain level of living standards or when it is unable to procure energy resources from other countries. This would mean that when the country that loses the ability to access energy for any of purposes mentioned above it becomes a national security issue for concern. According to the Planning Commission of India that brought out a draft report on ‘Integrated Energy Policy’ in 2006, which defines energy security in a comprehensive way “We are energy secure when we can supply lifeline energy to all our citizens irrespective of their ability to pay for it as well as meet their effective demand for safe and convenient energy to satisfy their various needs at competitive prices, at all times and with a prescribed confidence level considering shocks and disruptions that can be reasonably expected”<sup>4</sup>. According to Barry Barton et al., (2004) ‘energy security’ is defined broadly as ‘a condition in which a nation and all, or most, of its citizens and businesses have access to sufficient energy resources at reasonable prices for the foreseeable future free from serious risk of major disruption of service’<sup>5</sup>.

Given the fact of nature that energy resources are disproportionately distributed in the world, availability and consumption is not within a countries will and as a result, demand and supply are distinct from each other that creates what is perceived as a hierarchy of power relations; with energy-rich and energy exporting countries at the top, transit countries in the middle and energy deficient and energy importing countries at the bottom<sup>6</sup>.

### India’s Energy Scenario

India is the fourth-largest energy consumer in the world after China, the United States, and Russia in 2011 and its primary energy consumption has more than doubled between

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<sup>4</sup> p. 54, Integrated Energy Policy: Government of India-Planning Commission (2006), “Report of the Expert Committee”, [http://planningcommission.nic.in/reports/genrep/rep\\_intengy.pdf](http://planningcommission.nic.in/reports/genrep/rep_intengy.pdf)

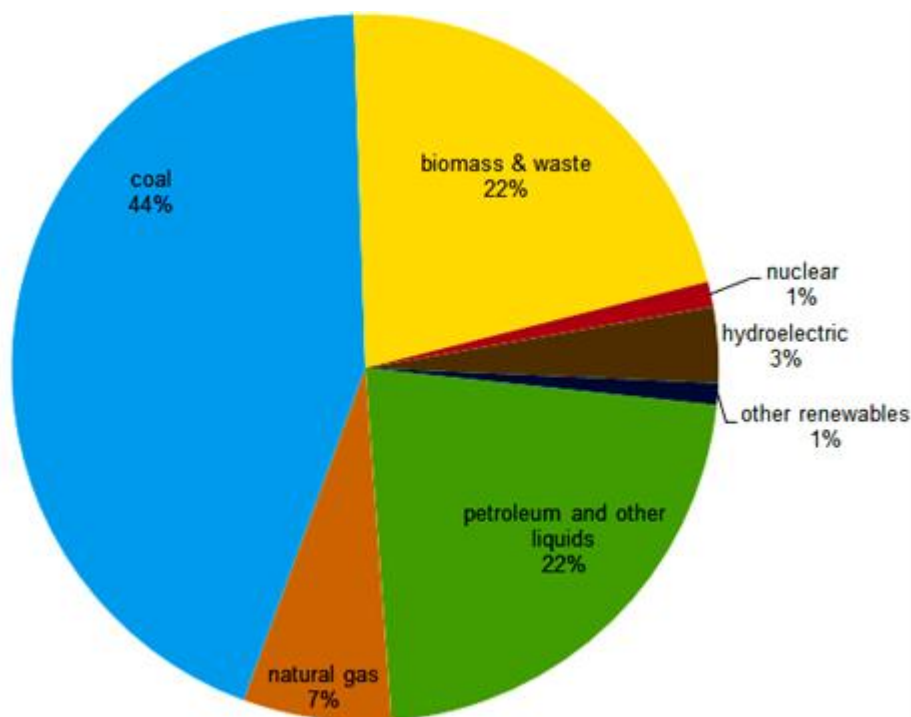
<sup>5</sup> Barry Barton et al., (2004), *Energy Security: Managing Risk in a Dynamic Legal and Regulatory Environment*, London: Oxford University Press

<sup>6</sup> Sharma, Devika (2012), “Energy in India’s National Security Strategy”, *Grand Strategy for India-2020 and Beyond*, Pentagon Security International: New Delhi



1992 and 2012<sup>7</sup>. India's main source of energy is coal in which India is well-endowed with followed by petroleum and traditional biomass and waste. In terms of hydrocarbons, India currently imports around 80 percent of them which makes it an energy dependent country. India's power sector is among the largest and fastest-growing area of energy demand, which has risen from 22% in 1990 to 36% in 2011, according to International Energy Agency.

**Figure 1.1 - Total Energy Consumption in India, 2012**



Source: U.S. Energy Information Administration, International Energy Agency, BP Statistical Review in <http://www.eia.gov/countries/cab.cfm?fips=IN>

Its dependence on imported oil is expected to increase given its projected economic growth and energy requirements. End of the Cold-war coupled with the liberalisation of energy sector, along with other sectors, in 1991 have contributed in the change in India's foreign policies by means of building new partnership with countries for its political and economic interests to carve out a niche for itself in the new political and economic context of the world.

<sup>7</sup> U.S. Energy Information Administration (2014), Overview-India. <http://www.eia.gov/countries/cab.cfm?fips=IN>

**Table. 1.2 - Energy Scenario for World and India (2012)**

Countries/Region	Population (Millions)	GDP Per Capita (PPP) 2000USD	TPES Per Capit (kgoe)	TPES/GDP (kgoe- 2000USD)	Elct. Cons/capita (kwh)	Kwh/S- 2000 PPP
World	6688	9549	1803	0.19	2782	0.29
OECD	1190	27620	4560	0.17	8486	0.31
Middle East	199	8191	2990	0.37	3384	0.41
Former USSR	285	8996	3650	0.41	4460	0.52
Non OECD	53	10471	2010	0.19	3378	0.32
Europe						
China	1333	8311	1600	0.19	2471	0.30
Asia***	2183	4013	650	0.16	719	0.18
Latin America	462	8522	1240	0.15	1956	0.23
Africa	984	2540	670	0.26	571	0.22
India	1139.97	3781	540	0.14	566	0.15

\*\*\* Asia excludes China but includes India. Source: Garg, P (2012), “Energy Scenario and Vision 2020 in India”.

The high level dependence on energy resources and the importance to obtain international technologies has meant India to pursuing a vigorous ‘Energy Diplomacy’ of pro-active and multifaceted engagements across the world to secure and promote India’s energy interests. India’s future vision for its energy security was evident when its foreign policies intended to stretch its diplomatic arm to regions that it had limited relations in the past such as Africa, Central Asia and Southeast Asia. However, in the pursuit of energy resources India’s energy diplomacy has been subject to international scrutiny.

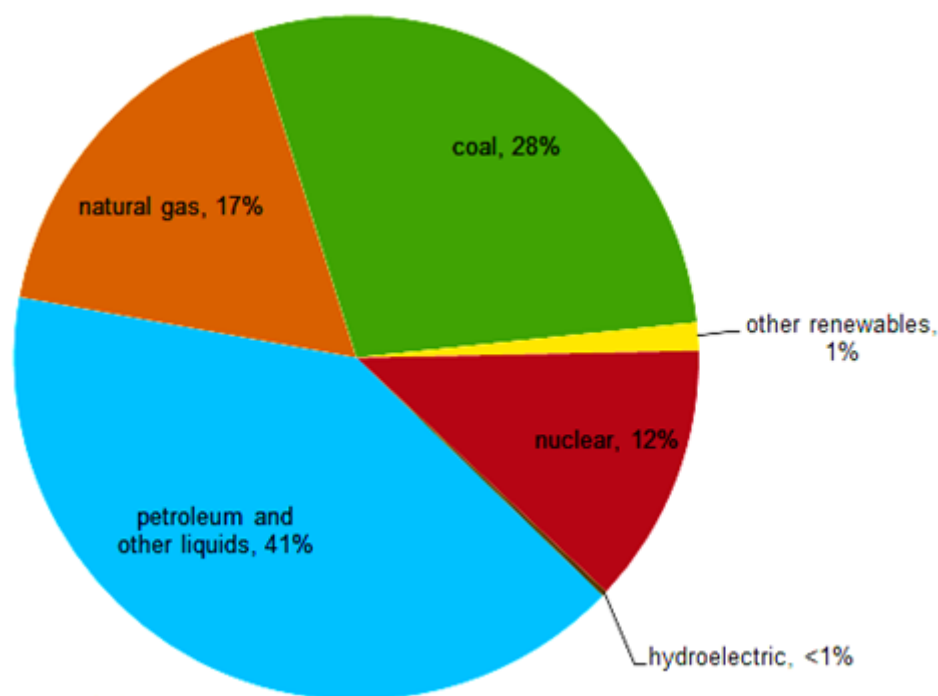
### South Korea’s Energy Scenario

South Korea is thirteenth largest economy in the world<sup>8</sup> and its unique pattern of economic growth history shows that unlike many of other OECD countries South Korea experienced a robust economic growth after the global financial crisis. It has been

<sup>8</sup> IEA 2012 Review-The Republic of Korea p.9

maintaining more than 4 percent of growth in the past decade<sup>9</sup>. South Korea relies heavily on exports which make half of its GDP which is why it is the seventh largest exporter<sup>10</sup> and all of these make it an energy-intensive nation and being the eleventh largest energy consuming country in the world it has long been dependent on international energy supply. South Korea's energy security means a national effort to ensure the availability of energy at affordable prices. South Korea is one of the top energy importers in the world. It imports for about 97% of its primary energy demand due to its insufficient domestic energy resources. South Korea is the fifth-largest net importer of petroleum and other liquids, it is the second-largest importer of Liquefied Natural Gas (LNG), and the fourth-largest importer of coal<sup>11</sup>.

**Figure 1.2 - South Korea total primary energy consumption by fuel type, 2012**



Source: U.S. Energy Information Administration 2012.

South Korea's total primary energy supply (TPES) is diverse and mostly dominated by oil and coal while nuclear energy and natural gas satisfy the energy consumption to a

<sup>9</sup> Ibid

<sup>10</sup> World Fact book, Central Intelligence Agency

<sup>11</sup> U.S. Energy Information Administration, *2014 Overview-South Korea*

lesser extent. Although petroleum and other liquids accounted for the largest portion (41%) of South Korea's primary energy consumption in 2012, its share has been declining since the mid 1990s, when petroleum consumption reached a peak of 66%<sup>12</sup>. This trend is attributed to the growth of natural gas consumption and increase in the share of nuclear energy in the power sector. Contribution of renewable energy to South Korea's TPES is considerably low, in fact it is among the lowest in the Organisation of Economic Cooperation and Development (OECD)<sup>13</sup>. South Korea's Industrial sector accounts for more than half of oil consumption due to its large petrochemical industry. Since Korea doesn't have domestic crude oil reserves, the Korea National Oil Corporation (KNOC) which is the upstream sector in South Korea, produces a capacity of 50,000 bbl/d from its overseas production sites. KNOC produced 231,000 bbl/ d and held 1.3 billion barrels of oil and gas reserves through acquisitions of overseas companies and co-operations with major international oil companies<sup>14</sup>.

Being a developed and fourth largest economy in the region South Korea has been focusing its foreign policy priorities in accumulating energy resources for its uninterrupted and sustainable economic growth. The end of the Cold War and the relaxed ideological confrontation in international relations led to a shift in the East Asian region<sup>15</sup>. Despite its preoccupation with issues vis-à-vis North Korea, the South has begun to pay closer attention to global issues, driven by its ever growing reliance on energy supply from energy resources rich countries and global trade. Such reliance on energy resources has pushed South Korea to seek the diversifications of suppliers beyond its region.

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<sup>12</sup> EIA, <http://www.eia.gov/countries/cab.cfm?fips=KS>

<sup>13</sup> p.17 International Energy Agency Review 2012

<sup>14</sup> p.4, U.S. Energy Information Administration

<sup>15</sup> Ceuster, Koen De (2005), "Pride and Prejudice in South Korea's Foreign Policy", *Copenhagen Journal of Asian Studies*, 21: pp. 64-90

**Table 1.3 - South Korea's Energy Security Measures**

Energy Source	Measure
<b>Oil</b>	Increase the share of long-term oil contracts out of total oil imports from 62% in 2007 to 85% by 2030. Strengthen cooperation with oil-producing countries. Purchase additional strategic petroleum reserves, including the establishment of North-East Asia oil hub. Expand refinery upgrades, and promote development and diffusion of oil alternative fuels.
<b>Natural Gas</b>	Promote mid-and long-term LNG import contracts and increase contract flexibility. Diversify LNG import sources. Build additional domestic infrastructure including the construction of the fourth LNG receiving terminal and expansion of the gas transmission grid. Increase gas storage capacity.
<b>Electricity</b>	Expand electricity generating capacity. Strengthen the electricity transmission system and develop a smart grid.
<b>Coal</b>	Supply anthracite coal for power generation to briquette production in a flexible manner. Facilitate bituminous coal development. Build a demand/supply cooperation system among bituminous coal companies.

Source: International Energy Agency 2012 Review, Energy Policies of IEA Countries: Republic of Korea.

South Korean embassies located worldwide have been providing close support for major energy development projects carried out by South Korean companies in 20 countries, including Central Asia<sup>16</sup>. The South Korean government designated 32 embassies as ‘special missions for energy cooperation’. The administration under President Lee Myung-bak increased the number of special missions to 76. In six resource-rich countries such as Cameroon, Kyrgyzstan, DR Congo, Bolivia and Irkutsk, embassies or consulate general were newly built for performing stable energy cooperation activities. Along with that, 20 embassies have hired local energy advisors for better energy cooperation diplomacy<sup>17</sup>. The South Korean government has been supporting these South Korean energy companies in two ways: 1. By providing direct assistance to overcome disadvantages; and 2. By minimizing political risks associated with launching business in politically volatile regions.<sup>18</sup>

<sup>16</sup> Miyamoto, Sogaku (2009), “South Korea’s Energy Diplomacy Towards Central Asia”, SAIS U.S.-Korea Year Book 2009, Washington DC, p. 47

<sup>17</sup> p.25, Diplomatic White Paper 2009, Part4 – “Diplomacy for New Engines for Growth”

<sup>18</sup> Diplomatic White Paper 2009, Part4 – “Diplomacy for New Engines for Growth”, p. 24

### **Review of the Literature**

Scholarly study focusing specifically on the dimensions of comparison of India's and South Korea's foreign policies vis-à-vis energy security has not been attempted to the researcher's knowledge. For the purpose of this study, the survey of the literature will be divided into two sections. First section would review India's foreign policies and energy security. The second section will thoroughly review the literatures on South Korea's foreign policy and energy security. This research would be an attempt to contribute to the field of existing comparative studies and contribute to the present literature on India and Korea's energy security and foreign policy.

### **India's foreign policy and energy security**

There is an abundance of literature on economic giants' interest and pursuit of energy diplomacies in resource rich countries. Literatures on Asian countries such as India's energy security vis-à-vis foreign policy are on the rise in the academia. Yadav and Baghel (2009) contend that energy security has not been a prominent issue traditionally even in the aftermath of the first major global oil crisis of 1973. It was not until the start of the 90's that 'energy security' found notable mention in our foreign policy discourse. Acharya's (2009) article "The evolving trends in India's foreign economic policy: A comparative study of the pre and post-liberalization phases" points out that one of the core objectives of foreign policy is for the development of a country through external relations based on the assumption that economic well-being ensures power, security, development and global respect for the country and hence it is imperative to place higher value to the external relation that brings development to the country. The energy policies are affected by powerful domestic socio, economic and political consideration.

According to Madan (2006) socio-economic consideration comes first when the energy policies are formed. So there is a need to emphasize that affordability must be part of any energy policy and energy solution. The author is of the opinion that the energy policies are formulated by different ministries which does not give way for an integrated energy strategy. Reform in the energy sector, to an extent has stirred moderate interest on

foreign investors as India introduced competitive bidding in exploration and exploitation of new coal, gas and oil fields (Madan, 2006). While the continuous creation of new energy agencies is proof of growing proximity of energy policy a considerable fragmentation of the governmental apparatus is responsible for energy issues in policy making and implementation. Thus the consistency and the pace of energy reforms are as hard to achieve as the transparency of processes for users and investors (Friedman, 2009). According to Joshi (2009), as far as internal political and socio-economic aspects concerned the necessity to develop a cost-effective energy strategy while sustaining subsidies as well as the ambitious growth limits India's room to maneuver at the international level.

Planning Commission's 'integrated energy policy' clearly indicates the growing recognition that energy security needs to be a critical component of India's foreign policy and energy policy. In fact, this is the trend in formulating foreign policies and energy strategies in developed and developing economies. For the preference of diversification of energy sources if not complete energy independence, this translates into the strategy of full exploitation of India's international scopes by tapping new sources via equity or long-term contracts (Ganguly and Pardesi, 2009).

But, Jeremy (2008) argues that India's energy strategy with respect to foreign policy has not been successful as it hinges on three factors: Firstly, Government that is based on political coalitions that constantly shift and also affected by state level politics that have little concern for India's core "national interest". Secondly, Government's *de facto* reliance on lethargic state-owned enterprises that dominate the energy sector that mutes policy reforms' practical influence that aims at reducing state enterprises' influence and opens up space for private players. Thirdly, this leads to the inability of the foreign policy apparatus to make credible commitments about India's behavior in overseas projects. He contends that there is a wide gap between the theoretical imperative for a strategic foreign and energy policy and the government's ability to put such a policy into practice. Noronha and Sudarshan (2008) in their article contextualizing India's Energy Security provide the main drivers of energy concerns of India. Apart from the

economic changes- both economic growth rates and structural shifts in the economy, there have been demographic effects in terms of population growth, urbanisation and increased energy demand from the transport sector-lined to growing ownership of private vehicles and increasing travel distances. While the above mentioned are internal drivers there are also number of external factors that contribute to India's energy insecurity. Factors like high risk perceptions due to energy imports, world market's fuel prices and geopolitical realities. India's energy concerns are fueled by the projected energy used than its current energy use patterns.

Bajpae (2009) sheds the light on India's security that desires to forge strategic relationships with energy resource countries such as Saudi Arabia, Russia and Venezuela where energy assets are controlled by the state and national oil companies. He points out India's tools of diplomacy by hosting Iranian president, Saudi King and Russian President as its Chief Guest of Honour during its Republic Day celebrations in 2003, 2006 and 2007, respectively. While having cordial relations with far away resource rich countries, India's poor relations with its neighbouring natural gas-rich countries Bangladesh and Myanmar have adversely affected its future energy needs from these energy rich countries. He further says that India's energy quest has eclipsed its moral values as India has moved from opposing Myanmar's military junta's crackdown on pro-democracy activists which marks India's policy change to a pragmatic engagement with the military junta regime and balancing China's influence in the region.

Li (2009) contends that though India's "Look East" policy has resulted in increased engagement with the Southeast Asia, the same policy and strategies may have resulted in India's direct competition and rivalry with China over vital Sea Lane of Communication (SLOC) and energy sourced in the East India Ocean, the South China Sea, Southeast Asia and Central Asia. In a series of events to acquire oil and energy-related interest in countries such as Kazakhstan, Myanmar, Sudan, Angola, Indonesia and Ecuador India had lost bids to China and in order to reduce this sense of vulnerability and to tackle the emerging Chinese naval presence in the Myanmar region, India has enhanced its naval presence in the Bay of Bengal and further gone to provide economic



aid, deploy troops and undertake to refurbish an air base in Tajikistan. The imbalance between demand and supply and resources has led to geopolitical and strategic competition between these high energy demand countries.

Economic reform in the 90's has instilled the vigour in energy security efforts as a result India's energy challenges over the years has been on the increase and integrated into its larger energy strategy. As a result of India's current energy predicaments and long-term security challenges, external options for resources have been synergized into its integrated long term strategy (Misra, 2008). He traces India's interest in the Asia-Pacific through India's 'extended neighbourhood' policy, encompassing its 'look east' policy. This policy has enabled India to make inroads into South-East Asia and Asia-Pacific. India's energy hunt has got its own repercussions, while on one hand had effected international criticism of going all out for energy resources and competition and suspicion of China sparked by India's resource hunt including in the South-China sea, on the other hand, faced by a future of severe energy crunch, China has extended its co-operation in acquiring oil and gas properties in third countries.

India's urge to diversify its resources and its energy diplomacy in securing overseas energy assets has devised its own calculations and strategies as to where and how to gain control over these resources. The West and Central Asia regions are a key to India's growth and therefore the energy scenario in West and Central Asia is vital to India's energy concerns. Beyond this region, India has also adopted multifaceted and robust energy diplomacy to enhance its energy security. Ahmad (2008) opines that India's energy security seeks to pursue engagements at bilateral, regional and global levels to promote corporate joint ventures and government-to-government partnership to encourage dialogue for mutually beneficial outcomes. India's interest in the Central Asian region is not only commercial but also strategic and political by helping to curbing the influence of Islamic extremism particularly Taliban activities for a better unified stable and peaceful Afghanistan. This has been responded by Central Asian countries with a brisk exchange of high level visits and expanding political and economic ties.

Batra (2008) delineates the trends in the pursuit of India's energy security. Though India's neighbourhood is abundant in gas reserves, India has not been able to succeed in tying up these projects over the years. He contends that security of the pipelines and gas supply and geopolitics have been important factors in dampening the process. India's energy diplomacy in the process through infrequent meetings with long gaps did not go with its energy agenda. India's closer alignments with the U.S. resulted in not moving further with the IPI (Iran-Pakistan-India) gas pipeline project by citing Pakistan's proposed transportation and transit fees as a bottleneck. The Indo-US nuclear deal which was hailed by both India and the U.S. as "a cornerstone of the new strategic partnership between the two new countries" and India's dilemma over its engagement with Iran appeared to be the signs of India's foreign policy vis-à-vis energy security to have come under the U.S. energy gambit.

India's efforts to diversify its energy sources led to Africa, Latin America and Asia-Pacific. India's efforts to import energy resources from East Asia will require it to secure its sea lanes through cooperation with countries like United States, the United Kingdom, France, Japan, South Korea and China as these countries have already intensified their interactions with the Indian Navy and Coast Guard (Khurana 2008). Ganguly and Pardesi (2009) outline how the Indian military objective is taking a new shape in the course of pursuit of its energy security. The Indian Navy, in its maritime doctrine published in 2004, explicitly highlighted energy security as a context that required the application of maritime power in both offensive and defensive operations to protect the country's maritime trade. India has also initiated the steps to boost its military presence in the Persian Gulf region, which was evident when it signed defense pact with Qatar and Oman in 2008. India's building up of military i.e naval assets to project power into the West Asian region shows India's efforts to safeguard its energy interests. The authors contend that in India's efforts to ensure national energy security, it is also in the process of emerging as a significant naval power in the Persian Gulf region.

Mohan (2008) in his article *Energy Security and Indian Foreign Policy* has charted out India's foreign policy and energy security over the years. He points out that if an assured supply of vital energy resources becomes an important national security objective for India, the nature of its political ties with the resource-rich developing nations is bound to alter. Though its rhetoric might sound like that of the 'Third World', its foreign policies could increasingly look like great powers' policies. India supporting the governments in Sudan and Myanmar clearly shows its connection with these countries for their energy and other resources while these countries are facing flak on the human rights' front and this shows that India's energy security has sidelined its traditional moral values in its relations with countries. Thus, there is pressure on India to have a strategy that would treat other developing nations as partners rather than as mere sources of raw materials.

Indian government has invested more than \$3 billion in acquiring oil and gas fields abroad and to meet 15% of its energy demand it has future plans to invest \$1 billion per annum until 2015. Naidu (2007) in her article "India's African Relations: Playing Catch up with the Dragon", charts out India's strategy for its energy security as an integrated set of policies to balance foreign policy, economic, environmental, and social issues with rising demand for energy. This depicts India's intension to avoid dependence on one region i.e. West Asian region where the U.S. influence has marginalized other nations from the region and it is at this juncture the India government has embarked on a policy of energy diplomacy that is increasingly apparent in Africa. Naidu (2007) states that India's energy diplomacy appears to that of the China's as India is aware that it is imperative to acquire key energy and commodity assets in order to lessen its dependence on one region and vulnerability to open market. India's concessional loans and other economic incentives for Africa's development assistance not only insulates India from the market for Indian exports but also enables India to gain leverage through what has been identified as a critical weakness in the continent-infrastructure investments.

### **South Korea's Foreign Policy and Energy Security**

South Korea's energy security means a national effort to ensure the availability of energy at affordable prices. Ceuster, Koen De (2005) in his article points out that the end of the Cold War and the relaxed ideological confrontation in international relations led to a shift in the East Asian region. Rather than following the status-quo of standing behind major powers, the East Asian nations went ahead to have mutual dialogue and construct a new regional power equilibrium while maintaining the traditional alliances. Kang (2011) talks about key factors that are likely to determine South Korea's foreign policy choices such as a shift from "Old geopolitics" to "new geopolitics" and the growing complexity of how South Korea maintains and manages its national capabilities and interests. He contends that conditions for maintaining stability will be more complex due to convergence of key forces such as enhanced vulnerabilities stemming from a globalized economy, the growing value of economic interest such as high dependence on trade and external energy or even food supplies that need to be balanced increasingly with adherence to international norms such as human rights and UNSC resolutions.

Hence, it is becoming increasingly problematic for the South to decouple key commercial interests from support for universal values and international norms. Despite its preoccupation with issues vis-à-vis North Korea, the South has begun to pay closer attention to global issues, driven by its ever growing reliance on energy supply from energy resources rich countries and global trade. Such reliance on energy resources has pushed South Korea to seek the diversifications of suppliers beyond its region (Barbieri, 2011). Calder (2005) says that South Korea is confronted with "triple energy-dilemma" that arises from three corners. Firstly, it lacks domestic sources of energy to cater its need for the rapidly growing and energy-intense economy, secondly, it is unusually dependent on oil as a fuel source and thirdly much of its natural gas comes from the volatile West Asia region more than any other industrialized nations. Barbieri contends that diversification of supply in order to reduce the reliance on the West Asian countries South Korea aims to heighten the geographical diversification of its imports through increase in oil and gas import from Russia, Africa, Central Asia and Latin America. The government's support for the national companies to develop an approach for an

Accompanied Overseas Resource Development (AORD), that is aimed on securing resources in foreign countries while supporting the development of infrastructure of energy and information technology as these are the sectors where South Korea has a competitive advantage. Poirier (2008), Yu (2008), and Kang (2011) are attributing the rationale for giving energy security the center stage in South Korea to the economic downturn in 2008 and fear that rising prices might cause the economy to stagnate. Kang (2008) is of the view that energy security under the South Korean President Lee has been more systematic and consistent. This systematic energy diplomacy means that there is a switch from traditional energy policy approach to a more pragmatic and long-term energy strategy. Lee, Myung-bak's administration when came to office in 2008 with the view of accentuating "global Korea" as a key foreign policy platform based its key pillars on strengthening and upgrading its alliance with the United States and implementing a "new Asian diplomacy". Lee Myung Bak termed securing oil and other energy resources as a "life and death competition among countries as energy gives economic security and decide a country's future".

Choi (2008) depicts the resource and energy policy of Korea as the government of Korea showed lack of consistency in its policy direction regarding international oil price fluctuations in the early 2000's and overseas resource development projects were not in consistent with the government's policy and the economic situation. But, the Korean government has actively promoted energy resource diplomacy since 2004 and gone forward in securing overseas resources. Lately, the government has also set the target and goals to entering Russia, Central Asia, Africa and Latin America. He also states that Korea's energy diplomacy is being promoted through both multilateral cooperation and bilateral cooperation. While multilateral partnerships are promoted through international and regional forums such as International Energy Agency, the Asia-Pacific Economic Cooperation, Energy Working Group, Renewable Energy and Energy Efficiency Partnership, World Energy Council and bilateral cooperation is being promoted through the Resources Coordination Committee, South Korea-Japanese Practice Council, South Korea-U.S. Working Committee, and the Korea-French Energy Cooperation group (Choi 2008).

Snyder (2008) says that resource diplomacy is a defensive measure to protect the lines of energy supply that is necessary to endure the promotion of continued South Korean economic growth and as such the precise forms and potential for such diplomatic initiatives are not yet clear as they will require South Korea to reach out and involve itself with many countries that have not in the past received priority in South Korea's diplomacy. But, he underscores that such resource diplomacy may offer the opportunity for South Korea to develop and deepen relationship with energy producing countries in Central Asia, the West Asia, Africa, Latin America and Russia. With regard to its relation with Russia, South Korea may not have given the Russians due level of respect that they felt they deserved during the years of Russia's economic plunge, but the future energy challenges has forced South Korea to include Russia into its energy calculus for its future energy security. Ahn (2010) contends that Russia's natural gas pipeline projects such as the Kovykta gas project can facilitate the formation of an energy alliance among Korea, Russia and China considering the geographical proximity and current natural gas demand. But, the author is skeptical about such energy alliance due to the hindrance of constraints such as rivalry between Russia and China, gas price disputes and mistrust and suspicion between neighboring states, unsecure financing and so on.

After the end of Cold-War in the 1990s Africa was marginalized from South Korea's diplomacy. But South Korea's deep concern for energy security and diversification of energy sources made South Korea attracted towards Africa (Kim, Shim and Cho, 2007). South Korea's main focus on Africa is the continent's potential as an energy supply source that would meet Korea's efforts to diversify energy supplies (Lee, 2006). Lee (2011b) analyses the political and economic factors that made Africa an alternative solution to the global energy and resources problems, reviews the past record of Korea's African diplomacy. He identifies diplomatic strategies of South Korea towards Africa; one such strategy is to make "multilateral approaches on a broad basis" for energy security. This was further developed and embarked on a project to build an "energy cooperation belt" across Central Asia, Africa and Latin America with 22 diplomatic missions in these regions assigned with energy cooperation advisors. "Selection and concentration" strategy to group African countries into four zones to strengthen

diplomatic infrastructure for oil-producing and mineral rich countries such as South Africa, Libya, Algeria, Nigeria and Angola is another strategy. Other important strategies include “package” strategy that combines IT and construction industries to offer projects to the needs of individual states and “bilateral or multilateral agreements” with African states to secure legal and systemic devices for permanent cooperation. Korea has been effectively using all its strategies to forge a friendly relation with resource rich countries. Yun (2009) examines the Korean government’s efforts to maintain its cultural identity with the overseas compatriots of Central Asian region who play a critical role in the cooperation of Korea and Central Asia. South Korean government has been interested in reciprocating by helping the countries of this region in IT, bio-technology sectors and development projects of automobile and energy.

South Korea’s limited success in getting its hold in Central Asian region is evident in the Uzbek government’s interest in sealing a contract with Korean enterprises for the development of its four oil gas fields where South Korea is the most invested Asian country and South Korea’s assistance to Kazakhstan’s navy force founded in 2006 by providing its old naval vessels (Yun, 2009). Sujin (2011) points out the examples of South Korean president Lee Myung-Bak’s initiatives to personally meet the top leaders of energy resource rich countries to clinch energy deals with them. Lee’s meeting and signing of the deal to develop oil fields in Basra, Iraq and his active diplomatic support when he travelled to the United Arab Emirates to clinch the contract worth US\$20.4 billion to build nuclear power plants shows the South Korean government’s complete involvement and commitment in securing energy resources by all means of diplomatic efforts.

Levkowitz (2010) throws lights on South Korea’s relations with the Middle Eastern (West Asian) countries. He is of the view that economic importance has brought West Asia closer to South Korea. South Korea’s economic involvement in the region has had remarkable influence in its diplomatic and military policy towards the region. For the first time, South Korea became militarily involved in the region by sending troops to Iraq and Lebanon and thus started playing more active political role. The author also points

out at South Korea's economic considerations that rule its diplomacy in the case of its following of the obligatory sanction imposed by the UN Security Council on Iran, while refraining from voluntary harsh measures towards Iran.

### **Definition, rationale and scope of the study**

India and South Korea's dependence on oil continues to grow and would continue in the foreseeable future for their sustainable economic development. At least, since the past decade they have been competing with other developed and developing economies of the world for energy resources beyond their borders. Both, India and South Korea's energy diplomacy is, in an unprecedented manner, aimed at ensuring their future energy security. The rationale of this research revolves around two major issues: Energy security and foreign policy. Energy needs, the main component of the locomotive to economic growth, have implications on the contribution to foreign policy. Firstly, this study would attempt to investigate how energy has been transforming India and South Korea's attitude toward energy as an integral part of the national security. Secondly, since the end of the cold-war there has been a watershed in foreign policies of these two countries. This study would make an attempt to examine the trajectory of their foreign policy in the pursuit of energy resources and technologies abroad. Both countries have made energy security as a primary national aim and devised action plans of energy diplomacy. There are literatures that focus on bilateral, multilateral and country to country energy deals and country and region specific energy diplomacy and foreign policy of India and South Korea. But, this study would focus on the energy security of these two countries and their foreign policies in general and contribute to the broader perspectives of the discipline.

Rationale for comparing energy security of India with that of South Korea is because, South Korea is the 2<sup>nd</sup> largest importer of liquefied natural gas (LNG), 3<sup>rd</sup> largest importer of coal, and 5<sup>th</sup> largest importer of crude oil. Korea has doubled its self-sufficiency rate from 5.4% in 2007 to 10.8 percent in 2011 and had plans to reach 20% by 2012 through its overseas energy diplomacy. South Korea has been able to achieve its uninterrupted economic with its supply of energy sources from outside its borders. An attempt would be made to compare 'middle power' South Korea's energy security and



foreign policy with that of India's. The time framework of the study will be two decades from 1992 when economic reforms were in place in South Korea and India, also the year since when the Indian government has dictated energy policy through a plethora of ministries, up to 2012. This will also enable to differentiate the energy security and foreign policy of different governments in India and South Korea. The main objectives of the study include tracking the trajectory of energy security and strategies of India and South Korea and examining the features of energy security and their corresponding effects on the foreign policies of India and South Korea.

### Research Questions

- What are the political and strategic implications of India and South Korea's energy security in their respective foreign policies?
- What are the debates in India and South Korea on the foreign policy vis-à-vis energy security?
- What are the endogenous and exogenous hindrances/problems in the pursuit of India and South Korea's energy security?
- How do India and South Korea converge and diverge in their approaches towards energy security?

### Hypotheses

- While South Korea's foreign policy as compared to its cold-war period has not drastically changed vis-à-vis its traditional allies India's quest for energy has altered its post cold-war foreign policy trajectory tilting towards the U.S.
- India and South Korea's energy security concerns have been the stimulus to build new partnerships with countries across regions and have provided the impetus to reinvigorate old connections with many countries and promoted cooperation and competition with other major energy hunting countries.

### Research Methods

This research will examine the importance of energy security in foreign policy in the context of how India and South Korea perceive 'securitisation', and the significance

given to stable energy supply as a national priority. The study will use comparative study analytical framework by adopting David M Wood's (1970) comparative methods in comparative politics in search for theory-building and testing the hypotheses in the study of energy security and foreign policy of India and South Korea. It will be primarily based on both qualitative and quantitative data to test the hypotheses. While India and South Korea's goal of energy sufficiency would be the independent variable in the proposed research, the foreign policy and energy security based on the geopolitical conditions would be the dependent variables. The scenario of post-Cold war era and economic reforms of these countries will be intervening variables. Based on the nature of the variables, this research would have exploratory and analytical perspectives. The core methodology of this study will be based on the examination and evaluation of both empirical and historical documents. Year-by-year evaluation of both India and Korea's energy diplomacy, in order to achieve energy security, will be made, based on articles from scholarly Journals of India, Korea and International sources and various publications and statistics of Indian and Korean ministries, energy institutions, planning commission, books and official records on foreign policy, energy policy and governance.

### **Chapterisation**

#### **Chapter 1: Introduction**

This chapter will be an overview of trends in India and Korea's energy security in the post Cold War era with an analysis of their energy diplomacy during the course of time. This chapter will also attempt to analyse the existing international relations theories on energy security and foreign policy in detail.

#### **Chapter 2: Trends in Foreign Policies of India and South Korea**

This chapter will examine the rationale for India and South Korea's foreign policy with special emphasis on their need and efforts to secure energy resources. This chapter will also briefly study the changes in foreign policy objectives of these two countries in the post Cold War global conditions and examine the factors that contributed to such changes in their major foreign policy objectives.

### **Chapter 3: Energy Security in India's Foreign Policy**

This Chapter will delineate the changing trends in India's Foreign Policies in relation to its energy security. This chapter will give the details of India's foreign policy towards and diplomatic negotiations with traditional and non-traditional friendly countries in the wake of its burgeoning economic growth. This chapter thus will delineate the changing trends in India's approach toward these countries corresponding to its energy needs and challenges in pursuit of such policies.

### **Chapter 4: Energy Security in South Korea's Foreign Policy**

This chapter will delineate the South Korean government's foreign policy with regard to securing energy resources for its energy-hungry economy. As a late comer in the completion for securing energy resources South Korea's strategies and means to secure the same from different regions of the world and the trajectory of its foreign policy in this course will be analyzed in detail. This chapter will also delineate the trends and challenges in South Korea's pursuit of energy diplomacy.

### **Chapter 5: Comparative analysis of Energy Security of India and South Korea**

This chapter will compare India's foreign policy vis-à-vis its energy deals in different regions of the world with that of South Korea's. This chapter will delve into different means and strategies of the two countries in securing energy resources and standing up against major competitions for uninterrupted supply of energy resources to their economy and the aspects of possible shift in their strategic alliances in the process of acquiring energy resources. Being closely contested for their energy needs, a close examination will be attempted as to what are the areas of policy convergence and divergence and factors behind the same.

### **Chapter 6: Conclusion**

This chapter will provide the final findings of the study and help to understand two different democracies' foreign policies vis-à-vis energy security in their quest for overseas energy resources. This would enable the researcher to understand the trajectory of foreign policy and energy security of two major economies of Asia and factors that shape their foreign policy in the course of their pursuit of energy resources.

### Trends in India's Foreign Policy

Energy security and its linkage to foreign policy is still considered as an under-theorised dimension of International Relations as even the term itself is approached from definitions that suits desirable policy outcomes of nations depending on the domestic conditions in terms of time, population, economy and the very need of the population and hence the term itself is 'polysemic' which means the terms can be used conveniently as per national requirement of energy. Even the principal journals in international relations and security studies, Foreign Affairs, Foreign Policy, International Affairs, and the likes do not come up with articles that have theoretical approach to energy rather they contain articles that are policy oriented (Dannreuther, 2010). As Scott (2011) puts it traditional IR paradigms are derived from the West, this may not necessarily be applicable to countries like India or even South Korea to an extent. As Scott (2011) contents, it does not seem that there are features of Indian international position for the coming century that are not explicable through existing IR paradigms, however this work restricts itself from going deep in to IR line of interpretation.

Chaulia (2011: 30) opines that the attitudinal change in India's foreign policy to reorient itself and redefine its sphere of interest in global rather than regional proportions has not yet occurred or rather the Indian foreign policy bureaucracy has not been up to it. He compares China's 'peaceful rise' which portrays its own ascent in international power standings and India's intellectual handicap in confecting long-term foreign policy planning strategies to set it apart as a desirable state. If we compare the foreign policy discourse of South Korea, it has been building the image of 'Global Korea' which has become its foreign policy strategy in its pursuit of global interactions with other countries. The concept of 'national role conception' constructed by the foreign policy

makers which describes the shared understanding concerning the exact role and purpose of a nation as a player in the international arena (Hermanns, 2013). South Korea's international roles such as its participation in UN Peacekeeping operations (PKO), contribution through overseas development aid (ODA) and building its image of an influencing nation through expansion of 'Korean Wave' across the globe are the indication of South Korea's expansion of foreign policy goals which is driven by the changing global environment (Hermanns, 2013: 56).

Also, Shen (2011), argues countries like the U.S., Russia and China that venture out and compete for energy resource or aim to be powerful and influential energy player in energy resource-rich countries, they intend to rationalize their ambitions qualitatively. For example, the U.S. designed the platform of liberal democracy and "human rights above sovereignty", Russia proffered its own idea of "sovereign democracy", and China posed as a non-interventionist "responsible state" in their pursuit of energy resources in the Central Asian region. Shen (2010) argues that unlike the U.S., Russia and China India seems to lack any unique ideology which it can promote in Central Asia. This can be applied to South Korea as well for both India and South Korea's way of operating in their pursuit of energy resources converge in not pursuing any ideological oriented diplomacy in countries and regions with abundant energy resource.

Even in regions like West Asia, Central Asia and Africa, India's conduct of energy security is indirectly aimed at countering Pakistan or even China through cooperation with these countries aimed to be instrumental to India's own anti-terrorist security and building its strength to counter balance. The perception of India's balance of power with regard to Pakistan and China is conceived as India's effort in trying to establish its regional hegemony vis-à-vis Pakistan and China. However, while India's foreign policy is perceived to have supported the main tenets of John Mearsheimer's 'offensive realism' with regard to maximizing its power, curtailing Pakistan and trying to establish regional hegemony, with regard to China India has not been hard balancing with containment structures and military alliance formation, but seems to be 'internal balancing' through building up its own strength through softer balancing through more

fluid implicit understandings and arrangements with other states like the U.S. and Japan (Scott, David, 2011b). This suggest that when it comes to energy security concerns India competes not just with China but with any country that are engaged in energy resources battle in energy-resource rich country. While India has not engaged in any hard balancing, in terms of building its military might in a foreign soil or aligning with countries like the U.S. in countering China, for its energy needs it has been engaged in counter balancing countries like China or even South Korea in those countries that are rich in energy resources. These engagements are mostly economic in nature rather than military engagement to counter the Chinese dominance. Energy security compulsions have even made India to cooperate with its main competitor China and Pakistan for want of energy through energy pipelines and joint bidding for the acquisition energy assets in foreign soils, which means this should not be termed as a balancing act if a nation engages with its rival for the maximization of its national interests i.e. economic benefits. This chapter will throw some light on trends in foreign policy trajectory of India and South Korea.

The foundations of India's foreign policy were constructed even during independence struggle. The core principles of India's foreign policy were the belief in friendly relations with all countries of the world, the sovereign equality of all states, equity in the conduct of international relations and independence of thought and action as manifested in the principles of non-alignment. Foreign policy of a country is not typically determined by any one or set of factors. It is determined by the various domestic, regional and global factors that affect its formulation in more than one way in different circumstances<sup>1</sup>. It is the result of interplay of such major factors that arise and affect the formulation of foreign policy in different ways. Before taking any foreign policy the stability of such factors are taken into view and thus foreign policy made in such a way that factors that are regarded as more basic, pressing and considered as unchangeable determinants of policy as compared to other factors.

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<sup>1</sup> Baghel Indu and Surya Narain Yadav (2009), *India's Foreign Policy: Opportunities and Obstacles*, p.1

## **Trends in Foreign Policies of India and South Korea**

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The late Prime Minister Jawaharlal Nehru said "... foreign policies are not just empty struggles on a chessboard. Behind them lie all manner of things. Ultimately, foreign policy is the outcome of economic policy, and until India has properly evolved its economic policy, her foreign policy will be rather vague, rather inchoate, and will be groping."<sup>2</sup> Significantly, there were, broadly, three major factors considered by India's foreign policy makers. 1. Geographical and geo-political compulsion; 2. Historical and cultural background in terms of colonial and ideological factors; and 3. Developmental requirements<sup>3</sup>.

India's world views have traditionally been shaped by historical experience and existing realities. There has been wider range of changes in the traditional concepts of national security. Aspects such as economic security, regional environment and international situation play vital role in foreign policy making than the traditional military strength India's foreign policies formulations are based on contemporary domestic milieu, regional and global realities and challenges such as cross border terrorism, nuclear proliferation, military strength, energy security, global economic competitiveness and growing activities of China in the region.

At the time of independence the international political system was very different and India was focusing on issues of nation building. Jawaharlal Nehru said in 1946, "we oppose, as far as possible, to keep away from the power politics of groups aligned against one another, which have led in the past to two World Wars and which may again lead to disaster on an even vaster scale."<sup>4</sup> However, in the 1950s, India's attempts to play the role of international leader were evident when it politically mobilised African and Asian countries and thus becoming the leader of non-aligned nations. The following years witnessed general unwillingness by India to address foreign policy issues in perspective and with pragmatic foresight and occupied with benevolent idealism as the US

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<sup>2</sup> Sanjaya Baru (2007), *Strategic Consequences of India's Economic Performance*, p.58

<sup>3</sup> Ibid. p. 58

<sup>4</sup> Norman Dorothy, *Nehru: The First Sixty Years*, John Day Company: New York, p. 246, in K.S. Bharathy (1998), *Encyclopaedia of Eminent Thinkers: The Political Thought of Jawaharlal Nehru*, p. 98

considered military containment and neutralisation of India through military build-up of Pakistan<sup>5</sup>.

India's foreign policy and diplomacy could not prevent a war with China in 1962 nor did it have the military capability to sustain it. The Indo-China war of 1962 was a lesson that utopian foreign policies do not yield the desired result in the face of pragmatic geopolitical compulsions. This resulted in India putting the non-aligned principles in the backburner and even made India appealing to the US for economic and military sustenance<sup>6</sup>. India's handling of 1965 war showed India's foreign policy moving away from goals such as world peace to a concrete national interests such as defense and economic growth which was evident when it resorted to borrowing military technological capabilities from the US and the USSR by which diminishing its role of a leader among non-aligned countries<sup>7</sup>. This was one of the major factors in India's change in foreign policy ethos. The second phase that was marked by economic fragility and differences with the West, clearly showed India's foreign policy shift that was characterised by rise in realism as India was leaning toward the USSR for a strategic advantage while dealing with immediate neighbourhoods, at least. This was the period, with Cold War at its peak, India showed its determination to defend its interest at any cost and showed its intension and prowess to become a regional superpower of future. India tactically overcame America's warning that in the event of Chinese intervention India should not expect assistance of any sort<sup>8</sup>.

India took a major leap in its foreign policy with a balance of power move by entering into a *Treaty of Friendship* with the USSR which neutralised any negative move by the US and China assisting Pakistan (during the last phase of the 1971 Bangladesh liberation war, the US Task Force 74 was deployed to the Bay of Bengal on 14<sup>th</sup> December. Such move was seen as a coercive to restrain India. But, the Task Force 74 was sailed out of the India Ocean which is thought to be due to the reports supposedly

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<sup>5</sup> Kumar Atul (2010), "An Historical Perspective on Indian Foreign Policy", *World Affairs* 14(1), p. 105

<sup>6</sup> *Ibid.*, p. 106

<sup>7</sup> *Ibid.*

<sup>8</sup> Nayar Kuldip (1977), *India After Nehru*, p. 187



saying that Soviet submarines were dispatched to shadow the US fleet<sup>9</sup>. India's creation of such a strategic environment that indicated its preeminent power in South Asia was augmented by its nuclear test in 1974.<sup>10</sup> However, a notable feature of India foreign policy has been its advocacy of complete nuclear disarmament.

As an independent nation there were two key features that highlighted India's foreign policy. India's interest for an international neutral body that would have the legitimacy to stop colonization and exploitation of poor countries in future rendered its commitment to and participation in the United Nations. The same intention resulted in unifying the new free nations and forming the nonaligned movement. With a vision to defuse Cold War tensions India also raised its voice against nuclear weapons. India was among the first countries to call for a ban on nuclear weapon testing in 1954<sup>11</sup> and it was also of the opinion that the treaty that fulfils this objective should be comprehensive<sup>12</sup>.

India had taken many initiatives within the United Nations and outside such as it presented to the 3<sup>rd</sup> Session of the UN General Assembly devoted to Disarmament an Action Plan for Ushering in a Nuclear Weapons Free and Non-Violent World Order and its membership of the Six-Nation Five-Continent joint Initiative in the 1980s. However, India has consistently opposed with principle discriminatory treaties like Comprehensive Nuclear Test Ban Treaty (CTBT) and Nuclear non-Proliferation Treaty (NPT) and refused to give up its nuclear options until all countries in the world including nuclear weapon states consider and take action in nuclear disarmament in a phased manner.<sup>13</sup>

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<sup>9</sup> Chopra, V.D. (2003), *New Trends in Indo-Russian Relations*, p. 138 and [http://en.wikipedia.org/wiki/Task\\_Force\\_74](http://en.wikipedia.org/wiki/Task_Force_74)

<sup>10</sup> Kumar Atul (2010), op. cit., p.107

<sup>11</sup> Jawaharlal Nehru proposed for discussions on nuclear ban to begin in the United Nations Disarmament Commission, which was established in 1952. Paddock Carl (2010), *Comprehensive Test Ban Treaty: Where Does India Stand?*, p.93

<sup>12</sup> India proposed that the first concrete and irreversible effort towards the cause should start with the process of nuclear disarmament. However, during the Conference on Disarmament in Geneva to negotiate a Comprehensive Nuclear Test Ban Treaty (CTBT) India reported that the final text lacked a definitive commitment to nuclear disarmament and such a treaty would divide the world permanently into nuclear "haves and have-nots". Singh Ashok Kumar (2008), *Science & Technology- For Civil Service Examinations*, p. 509

<sup>13</sup> Mohanty, Biswaranjan (2012), *Foreign Policy of India in the 21<sup>st</sup> Century*, p. 2

India's growing economic and military strength also facilitated the achievement in its foreign policy in the strengthening of regional cooperation through South Asian Association for Regional Cooperation (SAARC). During the 1980s, India began to play a greater role in Asian community and engaged several countries bilaterally and also increased its UN peacekeeping engagements. Within the South Asian region, Sri Lanka was a testing ground for India's foreign policy as it intervened in Sri Lanka's civil war and initiated the Indo-Sri Lanka Accord and implemented it through peacekeeping operations. India's policy towards Pakistan after 1988, with the resumption of civil rule in Pakistan, was to have a cordial relation and avoid confrontation. The international political system and structure underwent major changes of lasting importance in the nineties as with the disintegration of the USSR and the collapse of the socialist system and the bi-polar structure of the Cold-War era came to an end. Under the leadership of Prime Minister Narashimha Rao, who was considered the initiator of India's "New Look" foreign policy Indian foreign policy underwent significant change with reforms in its economic policy. Majorly economic interests over politics played the driver role in driving the foreign policy in seeking the friendship of Western powers to expand its influence of strategic location and economic growth to become a favoured partner for many countries in the world.<sup>14</sup>

### **Geopolitics, Economy and Foreign Policy**

The logic of geography makes the Indian Ocean a major factor in India's foreign policy vis-à-vis its national security as well as foreign trade. India Ocean had been and still is the vital route for the bulk of our foreign trade and almost entire costal trade depends on the freedom of the Indian Ocean. When we talk about the geographical and Geo-political compulsions it is imperative to note that India's geographical position in the region made it vital for India to secure the Indian Ocean for a commanding position for its security, trade and commerce purposes. Hence, the security of the Indian Ocean was one of the important aspects of its foreign policy formulation. Free navigability of the Suez Canal, the Persian Gulf, the South African coast, and the Straits of Malacca is of great importance for the uninterrupted flow of our foreign trade. India's foreign policy also

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<sup>14</sup> Kumar Atul (2010), op. cit. p. 109

marks on its economic security that demands that all the sea lanes leading to the Indian Ocean such as Suez Canal and Straits of Malacca, need to be secure and kept open at all times for India's economic activities without interruptions<sup>15</sup>.

Geopolitics has been one of the main components of India's foreign policy as India has been adopting its short term as well as long term geo economic considerations according to geopolitics. Earlier, it was thought that geoeconomics might replace geopolitics, but now it is accepted that geoeconomics recasts rather than simply replaces geopolitical calculations<sup>16</sup>. The geopolitical influence in India's foreign policy formation can be traced to India's adaptation to economic globalization and to the emerging balance of power<sup>17</sup>. Such changes in its internal and external economic policies coincided with the demise of Cold War. Switching from inward looking economy to a moderate outward oriented economy made India forging new relationships with its regional neighbours and major powers of the world.

In the 1990s the influence of opportunities showcased by regional economic groupings globally augmented India's policy initiatives to move closer to other regional groupings like Association of Southeast Asian Nations (ASEAN) and Asia Pacific Economic Cooperation. India's initiatives for more regional arrangements resulted in establishment of the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) that was formerly known as Bangladesh, India, Myanmar, Sri Lanka, Thailand Economic Cooperation, India Brazil South Africa Dialogue Forum (IBSA) and the Ganga-Mekong Cooperation programme. The post-Cold War era has not helped improve the stability of the regions in the world. There are more conflicts and deaths occurring compared to the Cold War period within and between states. India's location in South Asia makes it take strong geopolitical calculation for its uninterrupted economic growth. 23 out of 60 failed states as enlisted by *Foreign Policy and Fund for*

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<sup>15</sup> Bandyopadhyaya, J (2003), *op. cit.*, P. 40

<sup>16</sup> Gulshan Schdeva (2011), "Geoeconomics and Energy for India", in David Scott (ed.), *Hand Book of India's International Relations*, P. 47.

<sup>17</sup> *Ibid.*, p. 47

*Peace* were located in Asia in 2007<sup>18</sup>. Except China, rest of the countries, bordering India were on that Index. This clearly showed new altered trajectory of India's foreign policy which was the outcome of economic policy<sup>19</sup>.

As it is for vast majority of States, India too had focused on its immediate neighbourhood for its strategic interactions and security concerns. This is earned by one major geographical factor i.e. distance. There is a negative correlation between power and distance. But, this may not be the same when it comes to distance and friendship which can be understood by India's cordial relations with countries other than its neighbours. One of India's foreign policy principles is to protect and control the Indian Ocean and its littoral. The expansion of its military and diplomatic influence and the trade and economic interactions in the Indian Ocean waters shows India's strategic interests beyond the Indian Ocean. In recent years, China's 'string of pearls' strategy is viewed by India and strategic thinkers as one of the approaches to achieve strategic maritime advantage over India. But, India has been relentlessly taking counter measures such as construction of a series of naval bases/berthing points along its sea lanes to West Asia-Gulf States and improving its diplomacy throughout Indian Ocean area<sup>20</sup>. Indian Navy's transformation from a 'brown water' coastal defense force to a formidable 'blue water' fleet reflects its projection of maritime power for its future strategic interests and intensions.<sup>21</sup>

There is an Alfred Thayer Mahan's quotation, though of doubtful provenance, that is considered to commonly appear in official discussion of India naval circle that "whosoever controls the India Ocean, dominates Asia. In the twenty-first century, the

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<sup>18</sup> Kumar Rajiv and Santosh Kumar (2010), *In the National Interest: A Strategic Foreign Policy for India*, p. 59

<sup>19</sup> There had been a proliferation of regional and bilateral trade arrangements given the prospect of slow progress in the Doha round. According to WTO there were approximately 200 notified regional trade agreements by 2009. India quickly responding to the situation had been actively pursuing regional and bilateral trade alliances. *Ibid.*, p. 106

<sup>20</sup> Robert Stewart-Ingersoll and Derrick V. Frazies, "Geopolitics for India", in David Scott (ed.), *Handbook of India's International Relations*, p. 41

<sup>21</sup> Technically, 'Blue Water' navy is taken as one able to operate over 200 miles from shore. Politically, 'Blue Water' navy is a navy with long extension of the state's presence. Scott David (2007), "India's Drive for a 'Blue Water' Navy", p. 1

destiny of the world will be decided upon its waters”<sup>22</sup>. India’s grand maritime strategy seems to have involved such ‘Mahanian’ visions for India’s place in the Indian Ocean<sup>23</sup>. The geo economic weightage of securing significant sea lanes of communication (SLOC) is as significant as geopolitical importance. India has been constantly augmenting its efforts to develop its diplomacy throughout the area by building and modernizing its military capacity, and developing trade activities and military joint exercises with other friendly countries to project its power more effectively<sup>24</sup>. It is also mentioned in *Maritime Military Strategy* that the present strategy will only focus on areas of primary interest and the areas of secondary interest will come in where there is a direct connection with the areas of primary interest or where the conflicting states impinge on the deployment of future maritime forces<sup>25</sup>.

India’s primary strategic areas of focused interests are a) The Arabian Sea and Bay of Bengal which largely encompass Exclusive Economic Zones (EEZ) ; b) The choke points leading to and from the Indian Ocean-principally the strait of Malacca, the Strait of Hormuz, the Strait of Bab-el-Mandeb and the Cape of Good Hope; c) The island countries; d) The Persian Gulf; and e) the principle ISLs (International Shipping Lanes) crossing Indian Ocean Region<sup>26</sup>. The Maritime Military Strategy draws out the major task of the Indian Navy during the 21<sup>st</sup> Century which is to use warships to support national foreign policy. It recognizes the need to project power, catalyse partnerships through maritime capability, build trust and create interoperability through joint/combined operation and international maritime assistance. It also highlights the Navy’s role to maintain peace and tranquility in the Indian Ocean Region. India’s expansion of such strategic interests by extending its ties with countries throughout the Indian Ocean region was central to its milestone policy of ‘Look East’ policy<sup>27</sup>. ‘Look East’ policy was one of India’s distinct foreign policy initiatives in the aftermath of the Cold war in 1992.

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<sup>22</sup> see, <http://pib.nic.in/feature/feyr2002/faug2002/f280820021.html>

<sup>23</sup> Scott David (2007), op. cit., p. 3

<sup>24</sup> Robert Stewart (2011), op. cit., p. 41

<sup>25</sup> Ministry of Defence (Navy), *Freedom to Use the Seas: India’s Maritime Military Strategy 2007*, p. 60

<sup>26</sup> Ibid.

<sup>27</sup> Robert Stewart (2011), op. cit., p. 43

Observers believe that India's foreign policy has shifted from impractical and idealistic to pragmatic and *realpolitik*. In the initial decades of post-Independence exposed the weakness of the impoverished colonial economy. This provided India with a weak economic base for its future visionary ambitions and foreign policy. Indian economy registered slow progress in all sectors, remaining as one of the low-income, third-world economies with absolute poverty and illiteracy. There are certain basic compulsions that determine the extent to which the power potential of a state can be developed and foreign policy is conditioned by these economic factors.<sup>28</sup>

Population, natural resources, capital and technology are few of the major factors that determine the rate of economic development and foreign policy is conditioned by these very economic factors in different ways<sup>29</sup>. India adopted a certain pattern of economic development that is consistent with the principles of constitutional government and representative democracy as constitutional constraints have compelled India to do so. The ideological parameters of democratic socialism laid this pattern of economic development until the 1980s<sup>30</sup>. But, India's commitment to socialism underwent slow erosion in the 1980s and a new economic policy was adopted in 1991 which strengthened a capitalist economic system thus the process of economic planning, integrally linked with the socialist perspective of the constitution, was practically abandoned though principally remained on paper<sup>31</sup>.

India's economic policy in the 1990s underwent fundamental changes in the direction toward its trade and investment regimes as it moved away from inward-oriented economy. These vibrant and wide-ranging changes happened at a time when the global economy and politics also altered in their fundamental ways in the aftermath of the Cold War. This dawn of new era also witnessed the rise of China, as the new regional and global economic power, regional integration of industrial economies and newly industrialising nations. The economic policy makers of India needed to reorient economic

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<sup>28</sup> Bandyopadhyaya, J (2003), *The Making of India's Foreign Policy*, Allied Publishers Private Limited: Mumbai, p.45

<sup>29</sup> Ibid 45

<sup>30</sup> Bandyopadhyaya, J (2003), op. cit. p. 49

<sup>31</sup> Ibid. 49

policies in accordance to the changing global economic and political environment and emerging challenges. Sanjaya Baru (2007: 58) is of the opinion that foreign policy makers had come to recognize that the heart of diplomacy in the nineties was economics.

### **India's Foreign Policy towards the US**

India's tilt towards the USSR during the cold war period despite NAM was because the Western bloc (US bloc) was dominated by mostly comprised and dominated by western countries of colonialist and imperialist background. As a freed nation from the colonialist and imperialist Britain, India was ideologically impelled to fight against colonialism and imperialism that might otherwise give rise to colonial powers and fight for independent nations' sovereignty which is also the basic principle in NAM.

The leaders of the independent India viewed the world through the prism of anti-imperialism as India's suffering at the hands of British colonial rule forged skepticism on the US as well as the US being an ally of Britain was victorious in the World War 2. Jawaharlal Nehru, in a speech to the Brussels Congress which was often cited as a harbinger of non-alignment, argued that 'the great problem of the near future will be American imperialism, even more than British imperialism, which appears to have had its day and is crumbling faster. Or, it may be, and all indications point to it, that the two will join together to create a powerful Anglo-Saxon bloc to dominate the world'<sup>32</sup>. Such was the political thinking at the higher political leaders in the Congress party which, while adhering to democratic practice enjoyed one-party dominance and represented a more or less unified foreign policy ideology to the world (Malone, 2011)

Playing down the idea of join Western or Soviet bloc India adopted a unified pragmatic philosophy of nonalignment as the cornerstone of its foreign policy. But, the U.S.-India relations remained cordial for a longer period from 1947-1962. India under Jawaharlal Nehru's leadership to an extent reciprocated American overtures of friendship

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<sup>32</sup> Jawaharlal Nehru, "Report to all-India congress committee on the international congress against imperialism held at Brussels in February 1927", in Dube, R.P. (1988), *Jawaharlal Nehru: A Study in Ideology and Social Change*, Delhi: Mittal Publications, p. 219.

by getting economic assistance and diplomatic support<sup>33</sup>. Despite being India's largest aid donor during this period India was still reluctant to become formally join hands with the US as an ally. Keeping aside its nonalignment sentiments India sought assistance from the western powers in the wake of 1962 Indo-China war. However, Washington's response was strategically motivated and not keen to give direct assistance or help to India which further alienated India from the US<sup>34</sup>. Despite the fact that Pakistan was moving closer to China, as the US adopted a position of neutrality that prompted Pakistan's such move, India's policy during this period did not improve in any substantial manner.

During Bangladesh war of 1971 India officially turned to the Soviet Union for assistance which also coincided with the US attempts to build rapprochement with China facilitated largely by Pakistan. India and US relations were on the verge of antagonistic in the 1970s. After the US termination of US\$82 million in economic assistance resulted in India's closing down of a large US Agency for International Development programme<sup>35</sup>. This was followed by further restrictions of the flow of American scholars and students to India. The expansion of US naval base on the island of Diego Garcia and its engagement with Pakistan in the Indian Ocean in 1974 were seen as a security threat by India<sup>36</sup>. However in 1974 the India-US Joint Commission helped in insulating bilateral dealings in education and culture, economics and science and technology. However, India's policy towards the Democratic Republic of Afghanistan that was backed by the Soviet Union obscured US-India relationship. India was the only South Asian country to recognize the Soviet supported Democratic Republic of Afghanistan in the 1980s<sup>37</sup>. India's policy in an indirect conflict that involved the superpowers of that time resulted in India and the US facing opposing sides of a vital global conflict<sup>38</sup>.

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<sup>33</sup> See, [http://www.npolicy.org/article\\_file/The\\_Transforming\\_US-Indian\\_Relationship\\_and\\_Its\\_Significance\\_for\\_American\\_Interests.pdf](http://www.npolicy.org/article_file/The_Transforming_US-Indian_Relationship_and_Its_Significance_for_American_Interests.pdf)

<sup>34</sup> America dispatched its carrier the *Enterprise* towards the Bay of Bengal and prevailed on Pakistan that for an assurance that it would not help China indirectly by invading Kashmir. Malone, M. David (2009), "India-US Relations: The Shock of the New", p. 1058

<sup>35</sup> Mohanty, Biswaranjan (2012), op. cit., p. 265

<sup>36</sup> Ibid., p. 265

<sup>37</sup> Democratic Republic of Afghanistan was later renamed to the Republic of Afghanistan in 1987

<sup>38</sup> Malone, M. David (2009), op.cit., p. 1059



The principles of “collective decision making” that was emphasized during Lal Bahadur Shastri’s were continued during Indira Gandhi’s era as well. Indira Gandhi’s period witnessed some personal rapport between India Gandhi and the United States president Ronald Reagan, established during a series of meetings in the early 1980s, through which the bilateral relations between India and the US improved and Indira Gandhi could secure large financial and military assistance from the US<sup>39</sup>. In the 1980s the US also regarded India’s status as a major regional power in South Asia. India policy on US was not very antagonistic during this period as it could open areas of interaction with the US through which Indian interests were served such as resolving the dispute concerning supplies of fuel and spare parts for the nuclear power plant at Tarapur, United States technology transfer for India’s light combat aircraft program and for the F-5 fighter and bilateral agreement on scientific and technological exchanges in 1985, in a major economic reconciliatory act of concluding a deal for Pepsi-Cola plant and the signing of a bilateral tax treaty.<sup>40</sup>

So, India’s policy towards the US has many factors to be reckoned with than any single factor. There were fundamentally divergence of understanding and response between India and the U.S. to world issues and concerns. If we take the case of India’s understanding of the world during the world wars was in contrast with that of the U.S. The U.S. saw the Soviet Union as an aggressor and an instigator of revolution and it finds communism to be ideologically and ethically destabilizing to the world community and inimical to economic interests of the world. However, India had a different understanding and approach toward Communism and the Soviet Union. India saw the Soviet Union a defensive power than being an aggressive power according to the U.S. India was also of the belief that revolutions often stem from internal societies due to inequality and injustice rather than through Soviet instigation. For India, issues such as global poverty, inequality, imperialism, racism and disarmament were of important than the bipolar conflict<sup>41</sup>. While the U.S. was against many national liberation movements such as the

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<sup>39</sup> Mohanty, Biswaranjan (2012), p. 266

<sup>40</sup> In 1989, United States investment in India reached US\$1 billion. Mohanty, Biswaranjan , op. cit., p.266

<sup>41</sup> Travis, A. Thom, (1992) “United States-India Relations: Obstacle and Opportunities”, in Verinder Grover (ed.) *USA & India’s Foreign Policy*. p. 237,

African National Congress (ANC), South West Africa People's Organization (SWAPO), and Palestine Liberation Organization (PLO), India was strongly supporting them. Even on the economic front while the U.S. rejected most of the new International Economic Order (NIEO) proposals, for they were against its economic interests, India was for a new economic order for the betterment of the Third World development and an equal world<sup>42</sup>. This conflicting interests and disagreements did not bode well for a friendly relation between India and the U.S.

### **The post-Cold War Era**

The collapse of the Soviet Union and the end of the Cold War has had a great impact on India's foreign and security policies compared to the Cold War period. The demise of Cold War forced India's policy makers to make drastic changes at multiple levels. The foreign policy principles of Jawaharlal Nehru on independent foreign policy, non-alignment, economic advancement and third world solidarity gained a broad national consensus though there were many critics about his policies and understanding of the world view of his time. But, the post-Cold War era posed a great challenge for the foreign policy makers to reinterpret Nehru's foreign policy principles that suit the new political context and challenges to confront them<sup>43</sup>. Mohan C. Raja (2012: 109) contends that besides the demise of the Cold War one other structural factor that compelled changes in India's foreign policy was the collapse of India's economic model of state-led socialism at around the same time as the disintegration of the USSR. India's decision to embark on economic liberalisation and globalization had a bigger impact on its foreign policy than the demise of the Cold War. India's policy tilt toward the US which at that point did not have a rival to challenge its hegemony will be the main point for analysis for this section. As aligning with the US was a pressure created by the world environment that started to be swept by the torpedo called 'globalisation'. When India did not have a catch 22 situation as to whether aligning with the US will give a perception that its non-alignment principles are at stake, because aligning with the US was technically was not about joining a bloc as there did not exist any other bloc that would give rise to such criticism.

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<sup>42</sup> Travis (1992), op cit., p. 239

<sup>43</sup> Mohan, C. Raja (2008), "India's New Foreign Policy Strategy", p. 3

Partnership with the US, mostly to fulfill India's own economic interest, could be taken purely as an economic policy move rather than a political move for India's own ideological convenience. This transition from "socialist society" to a "modern capitalist" society was the result of adapting to the new challenges of globalization and change in the national economic strategy reflected in its foreign policy front.

India's policy towards the US can be described as that of 'estrangement' during the Cold War era and 'convergence' during the post-Cold War era<sup>44</sup>. The breakup of the USSR and the end of Cold War posed new challenges and forced India to look beyond the Treaty of Peace, Friendship and Cooperation, as the end of Cold War also removed the ideological background that had India tilting towards the USSR. The systemic change and the onset of a new world structure threatened India's potential isolation within the international system<sup>45</sup>. During the Cold War, the US followed a policy of keeping China closely against a common Soviet threat. But, the disintegration of the USSR erased the logic and made China look like a rival power to the US<sup>46</sup>. Scott (2011) says the classic International Relations (IR) *balance of power* (Kenneth Waltz) factors would have suggested a China-India balance against the US. Instead, Stephen Walt-style *balance of threat* factors of aggregate power, offensive capabilities, perceived offensive intentions and geographical proximity seemed alarming for India's 'securitization' and therefore forced to balance with the US against China.

Initial steps were signaled in India's intension for a close alliance with the US in the Agreed Minute on Defense Cooperation, which was signed in January 1995. The Bharatiya Janata Party (BJP) coming to power in 1998 and nuclear testing of Pokhran-II was a turning point in India's nuclear policy and the advent of its pro-US policy. Though India had been an ardent proponent of nuclear disarmament and nuclear free world, the rationale for the Pokhran-II test was stated to be due to the Nuclear non-Proliferation Treaty's (NPT) discriminatory nature and not contributing to a nuclear weapons free

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<sup>44</sup> Scott David (2011), "India's Relation with the USA", IN David Scott, *Handbook of India's International Relations*, pp. 243-245

<sup>45</sup> Ibid. p. 245

<sup>46</sup> Ibid. p. 246

world. As the nuclear test attracted global wide criticism and economic sanctions, India declared those weapons as ‘weapons of self-defence’ and announced ‘no first use’ policy in the event of a war<sup>47</sup>.

In June 2004 the then India’s Prime Minister Vajpayee and the US president George W. Bush signed the “Next Step for Strategic Partnership”<sup>48</sup> outlining cooperation in civilian nuclear activities, civilian space programme and ‘dual use’ goods and technologies, besides expanding dialogue on missile defence. India and the US also committed to complete the process of qualitatively transforming India-US relation<sup>49</sup>. Political analysts viewed this as a sharp departure from India’s traditional foreign policy of non-alignment, anti-American and anti-western orientation. India’s economic growth assisted by its commitment to a new wave of capitalist economic reforms and liberating the markets gave gradual rapprochement in Indo-US relations.

The China factor remained one of the major factors in India’s pro-US policies to strategically balancing China. India’s balancing of the rising China was considered as one of the factors in the US-Japan-India trilateral rapprochement that was initiated in the 1990s through academics and experts of all three countries and on 19 December 2011 their first trilateral meeting took place in Washington. India’s joint strategies with the US and Japan in the Asia-Pacific was stimulated by the growing need for forging economic, political and security cooperation in the region without jeopardizing its accommodating stance toward China.<sup>50</sup> The aspect of transnational threat of terrorism had also paved way

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<sup>47</sup> Though the relation between India and the US was strained, India’s then Prime Minister Vajpayee in his speech ‘India, USA and the World’ to the Asia Society said that ‘Indo-US ties based on equality and mutuality of interests is going to be the mainstay of tomorrow’s stable, democratic world order’. Scott David (2011), p. 246

<sup>48</sup> Chenoy, Kamal Mitra and Anuradha Chenoy (2007), “India’s Foreign Policy Shifts and the Calculus of Power”, *Economic and Political Weekly*, 42(35): pp. 3547-3554.

<sup>49</sup> In 2004, External Affairs Minister Yashwant Sinha in a speech stated that transformation of India’s relationship with the United States was, indeed, among the most important achievement on India’s foreign policy front. . Ministry of External Affairs (2005), “Speech by External Affairs Minister Yashwant Sinha: “”After the SAARC Summit: Visoin for South Asia,” at Woodrow Wilson Centre. Washington, January 20, 2004.” In *India’s Foreign Relations – 2004*, Section – 1 General, P. 111

<sup>50</sup> Washington-based think-tank Centre for Strategic and International Studies (CSIS) in collaboration with the Aspen Institute India and Confederation of Indian Industries (CII) and with Tokyo’s Japan Institute of International Affairs (JIIA), began holding their trilateral ‘Strategic Dialogue’ from June 2006 and since continued to do on a regular basis. Singh Swaran (2013), “US-Japan-India Trilogue: The China Factor”, in

for India's closer relations with the US than ever before. The terrorist attacks of 11 September 2001 on World Trade Center tower by al-Qaida terrorist outfit changed the entire international security scenario, relations among nations and strategic equations were redrawn in the pretext of countering terrorism. As the US forces moved against the Taliban regime in Afghanistan India extended its full support including transit facilities for the US fight against terrorism. The India-US joint statement on 9 November 2001 noted that 'the people of the US and India have been united as never before in the fight against terrorism'.<sup>51</sup>

Since September 2001, the Indo-US security cooperation had flourished and the India-US Defence Policy Group (DPG) which was moribund since India's 1998 nuclear tests was revived in late 2001. In June 2005, the India signed a ten-year defence pact outlining planned collaboration in multilateral operations, two-way defence trade, technology transfers and cooperation, expanded collaboration related to missile defence and establishment of a bilateral Defence Procurement and Production Group. Since early 2002, India and the US have held numerous and unprecedented joint exercises<sup>52</sup> involving all military branches<sup>53</sup>. The document released by the Bush administration 'India as a Global Power: An Action Agenda for the United States' on July 14, 2005, outlined that the US will make India into a "great power". And this strategy was unveiled in its strategy paper 'A New Strategy for South Asia', March 2005, in which the US had invited India to collaborate with it militarily and economically in exchange for this "great power" status (Chenoy 2007: p. 3549). The 123 agreement, the framework for which came by a joint statement by the Indian Prime Minister Manmohan Singh and the U.S. President George W. Bush on July 18, 2005, signed between India and the U.S. was a tectonic shift in India's foreign policy as it marked its stance towards the U.S. from an

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Horimoto Takenori and Lalima Varma (eds.), *India-Japan Relations in Emerging Asia*, Manoj Publishers & Distributors, P. 139

<sup>51</sup> Scott David (2011), "India's Relations with the USA", in R. Jain (ed.) *The United States and India 1947-2006. A documentary study*. P. 128

<sup>52</sup> In 2001 itself, the US navy participated in the international fleet review sponsored by the Indian Navy off the coast from Mumbai. In May, 2002 Indo-US joint military exercise took place in Agra and in September US Army 1<sup>st</sup> battalion 501<sup>st</sup> Para Infantry Regiment and India's 50(1) Para Brigade took part in joint training exercise. In 2003, special forces from India and the US as part of an ongoing interaction began joint exercises in the strategically important Ladakh region. p. 6 Alam, Mohammed Badrul (2013).

<sup>53</sup> Mohanty (2012), op. cit., p. 272

adversary to a strategic partner. This agreement was granting special nuclear status to India and it was as sign of India moving away from its non-alignment principle to joining a pro US camp. It was also viewed as a complete metamorphosis and beginning of special relationship between India and the U.S. Another area which promised great potential and benefits both sides was counter-terrorism cooperation. Both countries have had their bit of bitter experience of terrorism and they both exhibited their willingness to cooperate on counterterrorism operations. Counterterrorism cooperation between India and the U.S. can be traced back to 1981 when India was domestically involved in combating Sikh terrorism in Punjab for which U.S. shared intelligence along with other countries<sup>54</sup>. If 123 agreement marked the peak and final turn on India's part towards a pro-U.S. camp there were aspects of their bilateral relations which were not paid more attention to such as economic and trade cooperation, high-technology cooperation, non-proliferation and security, development and defense cooperation.

### **India's Policy on Russia**

Indo-Russian relations of today must be understood in the backdrop of Indo-Soviet relations. India's relations with Russia are a key pillar of India's foreign policy. It should be reckoned that Russia has been a longstanding time-tested partner of India<sup>55</sup>. However, India's relations with the Soviet Union during the early years of its liberation from the British rule were not very cordial. In fact, Prime Minister Jawaharlal Nehru was initially wary of the Soviet Union. Nor was the Soviet Union keen to establish any meaningful ties with the newly independent India<sup>56</sup>. However, the spread of the superpower rivalry around the world motivated the Soviet Union to reexamine its relations with India, which followed a non-aligned foreign policy. India, on the other hand, suspicious of the emerging security ties between the USA and Pakistan, reconsidered its views of and

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<sup>54</sup> A U.S. law signed in 1996 barred fundraising in the U.S. by the Indian separatist groups Babbar Khalsa and Khalistani Liberation Front. Ganaie Reyaz Ahmad Ganaie "Indo-US Relations Beyond the Nuclear Deal: A Study of Bilateral Strategic Cooperation", in Alam Mohammed Badrul (ed.), *Indo-US Relations: Dimensions and Emerging Trends*, Delhi: Shipra Publications. Quoted in Polly Nayak, "Prospects for US-India Counterterrorism Cooperation: An American View", in Sumit Ganguly et al. (eds), *us-Indian Strategic Cooperation into the 21<sup>st</sup> Century: More than Words*, New Delhi: Routledge. P.133

<sup>55</sup> See, [http://mea.gov.in/Portal/CountryQuickLink/597\\_Russia\\_January\\_2014.pdf](http://mea.gov.in/Portal/CountryQuickLink/597_Russia_January_2014.pdf)

<sup>56</sup> Sachdeva Gulshan (2011), "India's Relations with Russia", in David Scott (ed.), *Handbook of India's International Relations*, London: Routledge

policies towards the Soviet Union particularly in the post- Stalin period. By the mid-1950s India and the Soviet Union appeared all poised to establish closer relations. The seed of Indo-Russia cordial relations was sowed with Jawaharlal Nehru's visit to the USSR in June 1955 which was reciprocated by Nikita Khrushchev/Nikolai Bulganin visit to India in December 1955. This trend was considerably strengthened in 1956 when, during a visit to India, Soviet leaders Nikolai Bulganin and Alexei Kosygin referred to Jammu and Kashmir as an integral part of India<sup>57</sup>. Since the day independent India came into existence Kashmir for being one of the core national security issues for India, the Soviet gesture was highly appreciated and in return, India voted along with the Soviet Union in 1956 in the UN General Assembly on the resolution calling for democratic elections in Hungary which was then under Soviet occupation. As a young growing nation which exhibited its ideology to stand by its values India's stand of not supporting the proposal for democratic elections in Hungary showed its keenness to inch toward the Soviet umbrella. The two countries in 1962 agreed to begin a programme of *military-technical cooperation* which has traditionally been accorded the most prominent status (Shaumyan, 2010: 156).

During the Sino-Indian war of 1962 it was a testing time for the Indo-Soviet relations which assumed added importance. Although the USSR did not have strategic relations with the non-aligned India during the Chinese invasion, it tried to be neutral between what it called 'brother China' and 'Friend India' which was seen by China as a betrayal of international communist solidarity on the part of the USSR<sup>58</sup> and this exacerbated the growing Sino-Soviet rift. But, for India the humiliating defeat in the Sino-Indian War of 1962 meant to modernize its armed forces even if it meant to do it by increasing its defense expenditure in 1963 to over 4 percent of its gross national product (GNP) which had not exceeded 2 percent in the past ten years prior to the war (Conley, 2001: 18). While being careful by not getting caught between the two superpowers, India

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<sup>57</sup> University of Calicut (2011), "India's Foreign Policy", B.A. Political Science-Core Course. [http://www.universityofcalicut.info/SDE/BA\\_politics\\_india\\_foreign\\_policy.pdf](http://www.universityofcalicut.info/SDE/BA_politics_india_foreign_policy.pdf)

<sup>58</sup> It should be noted that during the same period the USSR was involved in using the instruments of aid, trade and diplomacy in developing countries to limit Western ideology and influence R. Menon (1978), "India and the Soviet Union: A New Stage of Relations", *Asian Survey*, 18(7). Quoted in Sachdeva Gulshan (2011), "India's Relations with Russia", in David Scott (ed.), *Handbook of India's International Relations*, London: Routledge

wanted to make use the environment that favoured its strengthening of military and economy in order to avoid or defend a Sino-Indian War like situation in future. This meant India sign agreement with the Soviet and at the same time have cordial relations with the US receiving assistance, both purely for commercial and security interests. The nature of Soviet military contracts also served India's interest i.e. to be a self-sufficient military establishment. The Soviet approach was more appealing to India for the initial agreement was for the delivery of nineteen MiG-21 fighter jets and the establishment of indigenous production facilities within India<sup>59</sup>. More than the intension to team up with the Soviet camp, India's long term self-reliance in military procurement and search for strategic autonomy guided India's security cooperation with the Soviet Union. During the Indo-Pakistan War of 1965 India looked up to the Soviet Union for its support; however the Soviet Union took a neutral stand to mediate between India and Pakistan. In the late 1960s and early 1970s the relation between India and the Soviet Union went from strength to strength by means of consolidation of state-level relations on all fronts – political, economic and military.

The refusal of the US-led Western camp to assist India in expanding its military capability and during Bangladesh war of 1971 India officially turned to the Soviet Union for assistance which also coincided with the US attempts to build rapprochement with China facilitated largely by Pakistan, led to the establishment of formal military cooperation between India and the Soviet Union. In 1971, India and USSR signed the Indo-Soviet Treaty of Peace, Friendship and Cooperation, which provided immediate consultation in case of military action against parties to the Treaty. Thus the shifts in regional geopolitics and India's interpretation the emergence of a new axis of power due to friendly approach of the US toward China and Pakistan in the late 1960s and early 1970s culminated in an enhanced Indo-Soviet security cooperation. India met most of its defence needs from the Soviet Union. The fact that almost 60% of the Indian army's military hardware, 70% of its naval hardware, and 80% of air force hardware originated

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<sup>59</sup> And in addition India could pay in rupees or bartered goods and there was no need to dip into India's foreign reserves which otherwise meant that the deal was crucial for India's continued economic development. See, Conley, Jerome M. (2001: 16)



from the Soviet Union clearly illustrates the level of military cooperation between the two countries<sup>60</sup>.

### Post-Cold War Policy

The disintegration of the Soviet Union in 1991 and the emergence of Russia led to several changes in India's traditional foreign policy objectives and goals and this post-Cold War era is a major historical period concerning India's strategic culture for India's identity in international relations became uncertain following the collapse of the Soviet Union. Because, with the removal of the Soviet bloc the rationale for the nonaligned movement came to an end as also it came to India's realization that the absence of a bilateral competition between the two superpowers meant that India's geostrategic role as a "counterweight" no longer existed (Conley, 2001: 89). This also had the bearing on India's economic policy directly forcing India abandon its three decades long protectionist economic policies mirroring Soviet-backed "fortress mentality" (Conley, 2001: 89). The initial post-Soviet period was with full of uncertainty as Russia was preoccupied with domestic economic and political issues along with adjusting itself for a closer relations with the US and Europe. And the new establishment was divided on the approach to be adopted towards the Indian subcontinent<sup>61</sup>. President Boris Yeltsin, emphasized on the need for "de-ideologisation" of its foreign policy, which resulted in Russia adopting a "wait and see" policy towards India<sup>62</sup>. During his visit to India in 1993, he tried to recreate the spirit of old friendship with a new Treaty of Friendship. The new relationship with India was to be guided by "pragmatism and flexibility" and there was no hurry to devote much time to India. Secondly, Russian political establishment was hoping to revive the country's economy through new economic principles. Both Mikhail

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<sup>60</sup> Baek, Jun Kee (2012), "The Strategic Connotation and Implications for the Strategic Triangle of Russia, China and India", *Studies in Comprehensive Regional Strategies* 12(10): pp. 1-3

<sup>61</sup> India's Foreign Policy at <http://www.arhantbooks.com/chapterdownloads/G305.pdf>

<sup>62</sup> Two schools of thought existed within Russia during in the early 1990s, while the first, composed of academics, members of the Duma and defense industry, believed in maintaining its "special" relationship with India for a strong India could fight the wave of Islamic fundamentalism and offset the hegemonic status of the U.S. the second Russian school of thought headed by Russian Foreign Minister Andrei Kozyrev believed in valuing Pakistan's relations to be fulfilling Russia's immediate foreign policy and security concerns. See, Conley (2001), p. 58 and <http://fas.org/nuke/guide/india/doctrine/ocp31.htm>

Gorbachev and Boris Yeltsin pinned their hopes on a renewal of the Russian economy with the help of a new version of the Marshal Plan.

In the early 1990s the controversy of “Rupee versus Ruble” debate, negatively affected Indo-Russian relations<sup>63</sup>. India had accumulated a debt of more than \$12 billion owed to the Soviet Union for arms purchases. While India was prepared and willing to pay off its debt, a dispute emerged with the new Russian government over the nature of the currency and the exchange rate that would be used. This dispute led to a collapse of trade relations between the two countries in 1991-92. After considerable negotiations, a resolution was reached in January 1993 that called for India to repay Russia \$1 billion a year in Indian goods until 2005 and the remaining thirty-seven percent of the debt would be repaid, interest free, over a span of forty-five years<sup>64</sup>.

### **Russia’s Re-grouping policy**

Emerging crises like in the Balkans showed the reality of a “unipolar order” for the international political system as the US has found itself in a unique position of strategic supremacy since the 1990s (Foradori, 2007: 148). Such crises were the proving ground for the US unilateralism that could be attributed to Moscow’s reprioritizing its foreign policy agenda. The school of thought that supported closer ties with India or even other Asian powers emerged stronger in constructing foreign policy during this period. Upgrading of India in the overall scheme of Russia’s foreign policy priorities became apparent with the appointment of Yevgeny Primakov as Russia’s foreign minister in January 1996<sup>65</sup>. India was revived in the Russian strategic focus when Yevgeny Primakov replaced the pro-Western Andrei Kozyrev as Russia’s foreign minister. One year later an agreement was solidified to build two Russian light-water nuclear reactors

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<sup>63</sup> The problem of nonconvertible Russian rubles erupted in the late 1970s and early 80s itself due to the nature of first Indo-Soviet barter agreement of 1953 which led to India’s procurement diversification resulting in the contracts for the purchase of Anglo-French Jaguar aircraft over the Soviet-made Mig-23 in 1978, two West German Type-1500 submarines in 1981 and sixty French Mirage-2000s in 1982. Conley (2001), p. 35

<sup>64</sup> See, <http://www.scribd.com/doc/243317799/Russia-China-Japan#scribd>

<sup>65</sup> He replaced the pro-Western Andrei Kozyrev as Russia’s foreign minister. Soon after his appointment, he named India in the fourth place after the US, Europe and China in the list of countries of priorities in foreign relations. Read, Jyotsana Bakshi, “Russian Policy towards South Asia”, at <http://www.idsa-india.org/an-nov9-9.html>

(LWR) in India in defiance of a Nuclear Suppliers Group ban<sup>66</sup>. The accord paved the way for the construction of two 1,000 MW light water nuclear reactors at Kudankulam in Tamil Nadu<sup>67</sup>. The situation widely changed when Yevgeny Primakov became Prime Minister in 1998. Primakov visited India in 1998 and pushed proposals for the creation of a Russia-India-China (RIC) strategic triangle (Sachdeva, 2009: 214)). While Russia did criticize India for its nuclear tests in 1998, it refused to apply any sanctions against India. Besides, Russia fully supported India during the Kargil conflict of 1999, and it went a step further and warned Pakistan of serious consequences if it attempts to alter the LOC (Varma, 1999: 234).

As India's economy was witnessing an upward swing, it meant the requirement to increase its military spending and military capability. After the Soviet disintegration, a sharp reduction in the supplies of military equipment and the lack of capability to produce the spare parts from Russia affected the position of India's armed forces (Shaumyan, 2010: 157)). In December 1998, an integrated long-term programme on military-technical cooperation till the year of 2010 was adopted. In October 2000, India and Russia signed the "Declaration of Strategic Partnership" following which the bilateral relations have been characterized by a strong and steady bilateral cooperation in the political, strategic and economic spheres. In the same Year, India and Russia agreed on the creation of an Inter-governmental Commission on Military-Technical Cooperation, inter-governmental accords were signed by the two countries on the purchase and production in India of cutting-edge Russian tanks, armoured vehicles and fighter aircraft under Russian licenses and also on the transfer to India of the Admiral Gorshkov aircraft-carrier (Shaumyan, 2010:157). Many bilateral cooperation agreements followed suit including the ones such as the production of the BrahMos missile, licensed production of

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<sup>66</sup> Though the economic factors weighed heavily due to the fact that Russia was burdened by an economy with a large hard currency debt and so to increase exports to \$3.5 billion per year by 2000 by completing power plant projects with China, Iran and India and also by selling uranium to the U.S., the announcement carried considerable weight in Washington, Moscow and New Delhi. Diplomatically, Russia appeared to be shifting its gaze away from the West. Moody (1997:112) and Conley, M Jerome (2001:62).

<sup>67</sup> Russia claimed exemption from the NSG "Guidelines for Transfers of Nuclear-Related Dual-Use Equipment, Material and Related Technology" on the grounds that these guidelines' safeguards policy i.e. agreeing to full-scope safeguards of IAEA, "does not apply to agreements or contracts drawn up on or prior to April 3, 1992." Moody Adam (1997:113)

T-90C tanks, Su-30 MKI combat aircraft, refurbishment and refitting of the Admiral Gorshkov aircraft carrier. India's then Defence Minister A.K. Antony stated that such cooperation projects had confirmed that the joint partnership between India and Russia had a strategic character (Shaumyan, 2010: 159).

Russia has been consistent in its pro-India stand on the issues of Kashmir and the terrorism faced by India and this has been unconditional over the years and even during regime changes<sup>68</sup>. On international terrorism, India and Russia agree that there is no justification for terrorism, and this must be fought against, without compromise and wherever it exists. Russia has supported the Indian draft at the UN on Comprehensive Convention on International Terrorism (CCIT)<sup>69</sup>. The two sides signed an MoU on cooperation in combating terrorism in December 2002. A Joint Working Group on Combating International Terrorism meets from time to time and its fourth meeting was held in Delhi on 24 October 2006. Both Russia and India have faced the problem of terrorism, India has seen it in the context of its military presence in Kashmir and Russia has seen it in Chechnya and both the countries are supportive of each other on the issue of terrorism.

### **Nuclear Deals**

Russia has been an important factor in India's nuclear energy quest. As mentioned earlier Russia helped India build nuclear plants worth \$2.6 billion and the Russian government backed India's principle of use of nuclear energy for peaceful purpose<sup>70</sup>. It is noteworthy that in 2006, Russia had undertaken to supply the required 60 tonnes of Uranium to India even before India received the green signal from the Nuclear Suppliers' Group<sup>71</sup>. Russia's supply of Kudankulam nuclear plants comprising two VVER-1000 (V-412) reactors which was with Russia's \$3 billion contract and a long term credit facility

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<sup>68</sup> Cheney, M Anuradha (2010), "India and Russia: Allies in the International Political System", p. 135,

<sup>69</sup> Read, Indo-Russian Relations at [http://www.academia.edu/2103282/Indo-Russian\\_Relations](http://www.academia.edu/2103282/Indo-Russian_Relations), p.7

<sup>70</sup> In early 2000, though the US pressurized Russia not to supply nuclear engine on the basis of the Missile Technology Control Regimes (MTCR), the Russian company, Glavkosmos, was firm on supplying the nuclear engines to India. Cheney M (2010: 141)

<sup>71</sup> Cheney M (2010), op cit., p. 141.

covered about half the cost of the plant<sup>72</sup>. On 7 November 2009, India signed a new nuclear deal with Russia apart from the deals that were agreed upon by the two countries earlier<sup>73</sup>.

During Russian president Vladimir Putin's visit to India in 2010, the nuclear cooperation pact was expanded with a roadmap agreement providing for up to sixteen nuclear power units to be built in India over the next fifteen years (Tsan, 2012: 158). India and Russia relations have gone from strength to strength over the years. India and Russia share common interests in their regional issues and territorial disputes. For a comparison of convenience, while for Russia, the handling of issues related to the Chechen secession or issues with Ukraine and regional conflicts in Central Asia are critical for the maintenance of national/territorial integration and stabilization of its influence in the region; to India, territorial disputes with Pakistan such as Kashmir stands out as a major matter for concern. However, Russia may not oppose cooperative relationship between the India and the U.S., nevertheless, it will not be in the interest of Russia if the strategic interests which Russia had historically possessed in Asia are damaged as a consequence of India-US relation<sup>74</sup>, importantly civil nuclear deal. Rather, Russia could perceive the potential of the Indo-US nuclear deal as it wide-opens India's reach to NSG members and thus obtaining nuclear technology from the members through cooperation. This will bring Russia to India's closer ambit of nuclear energy security. Currently, India's policy towards Russia looks to synergize co-operation in the economic and security spheres for a stronger economy and friendship for future.

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<sup>72</sup> The peculiar part of the nuclear deal is though Russia supplies all the enriched fuel through the life of the plant, India will reprocess it and keep the plutonium facilitated by a 1998 supplemental agreement against the original agreement of 198 that specified the return of used fuel to Russia. Read, <http://www.world-nuclear.org/info/Country-Profiles/Countries-G-N/India/>

<sup>73</sup> India after successfully entering in to nuclear deal with the U.S. looked up to its loyalty to its traditional partner Russia to seal a long-term nuclear pact that would guarantee nuclear material supply against any curbs in the future. (Tsan, 2012: 158).

<sup>74</sup> p.3, Baik, Jun Kee (2012), "The Strategic Connotation and Implications for the Strategic Triangle of Russia, China and India", *Studies in Comprehensive Regional Strategies* 12(10)

### India's policy on China

India's relation with China dates back to ancient times of having cultural and trade ties. In modern times after the independence of India Jawaharlal Nehru's vision for an anti-colonial Asian leadership encouraged its intension for close relation with China. India's support for China's membership and signing Pandhshila agreement in 1954 were India's effort for a cordial relation with China. However, through the end of 1950s there were dramatic events such as China's expansionist policy that led to the Tibetan issue, Dalai Lama's asylum in India and border problem between two nations finally lead to the Sino-Indian War of 1962, which ended the "honeymoon" between India and China. India's foreign policy outlook changed after the war as to building a strong armed force to protect itself from external aggression for which it required somewhat friendly posture to the U.S. and building a stronger relation with the USSR for a stronger military forces and the India's advocacy of Asian leadership took a backseat. However the emerging China-US-Pakistan axis pushed India moving closer to the USSR to counter the alliance. From 1976 onwards, India followed a policy of 'normalisation' towards China with ambassadorial level relationship revived between two countries. India showed an intension of increased interaction with China which was reflected in the Prime Minister Rajiv Gandhi's visit to China in 1988 and initiatives were taken to solve the border issues between the countries. This event was seen as an initiative for a thaw in bilateral relations. The next decade witnessed normal relation between the two countries. But in May 1998, before the Pokhran nuclear test, India's then Defence Minister George Fernandez termed China as a "potential threat No.1 for India's security."<sup>75</sup> Before this he had accused China of being the "mother" of Ghauri<sup>76</sup>, Pakistan's Intermediate Range Ballistic Missiles, China having its nuclear weapons stockpiled in Tibet along India's border, and of intruding in to Indian territory to build a helipad in Arunachal Pradesh (Zhang, 1999: 13). Following the nuclear test the relation between the two states

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<sup>75</sup> Joshi Manoj (1998), "George in the China Shop-China is the Potential Threat No.1, Says George Fernandes", May 18, 1998. <http://indiatoday.intoday.in/story/china-is-the-potential-threat-no.-1-says-george-fernandes/1/264241.html>

<sup>76</sup> Ibid

deteriorated<sup>77</sup> and brought a temporary setback in Sino-Indian relations. In a strong disapproval of India's nuclear tests China cancelled the November 1998 Sino-Indian Joint Working Group (JWG) meeting in Beijing.<sup>78</sup>

The visit of the Indian External Affairs Minister Jaswant to Beijing in June 1999 brought back the normalisation in Sino-Indian relations and marked the resumption of high-level dialogue. After several other high-level visits, the JWG resumed its regular meetings in April 1999 and in November 2001, as a first step in resolving the border issues, India and China exchanged border maps on the least controversial Middle Sector of the Line of Actual Control (LAC) covering the Himachal Pradesh and Uttar Pradesh boundaries with Tibet.<sup>79</sup> India's Defence Minister George Fernandez's weeklong visit to China, the first visit by an Indian defence minister to China over a decade, in April 2003 marked a major turning point in the bilateral relations. This indicated that India and China through dialogues and exchange of ideas have mended their ways of conducting foreign policies. Prime Minister Vajpayee's visit to China in June 2003, which was the first by an Indian Prime minister in a decade followed by further diplomatic events reached a point where both countries vowed not to view each other as security threats and reaffirmed their determination to resolve disputes through peaceful means. In 2005, the year which marked the 55<sup>th</sup> anniversary of the establishment of diplomatic relations between India and China, Chinese Premier Wen Jiabao paid a state visit to India. Reckoning the global and strategic character of India-China relations the leader of the two countries agreed to establish an India-China Strategic and Cooperative Partnership for Peace and Prosperity. When Prime Minister Manmohan Singh visited China in 2008, the two countries signed a Shared Visions on the 21<sup>st</sup> Century declaration, 'to promote the building of a harmonious world durable peace and Prosperity through developing the Strategic and Cooperative Partnership for Peace and Prosperity between the two countries' (Pant, 2011: 237).

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<sup>77</sup> By a way of political follow-up on the nuclear tests, the Vajpayee government chose to target China as one of two 'threat' factors justifying the act. Read, Ram, N (1998), "Sino-Indian Relations: What Lies Ahead?"

<sup>78</sup> Dittmer Lowell (2005), *South Asia's Nuclear Security Dilemma: India, Pakistan, and China*, p. 153.

<sup>79</sup> Rajain Arpit (2005), *Nuclear Deterrence in Southern Asia- China, India and Pakistan*, p. 167, and Pant (2011), "India's Relations with China", p.234.

The first decade of the twenty-first century marked high-level visits and many diplomatic measures that were strengthened by the soaring growth in trade relations between India and China. Most noticeably, bilateral trade grew from \$265 million in 1991 to \$66.5 billion in 2012<sup>80</sup>. While the relation between the two countries seemed cordial due to diplomatic efforts and resolve for peace and stability in the region the unsolved border issues, China's alleged 'encircling' of India through 'string of pearl'- China's network of maritime facilities in the Pacific and Indian Oceans- and rivalry in the area of energy remain obstacles in moving forward for a stronger strategic cooperative relation with China.

### **India's Relations with Pakistan**

Ever since the Islamic state of Pakistan was created in the Indian subcontinent India's relation with its neighbor was never cordial to worsen the relation there have been three wars that were intermittently fought between these two countries within a short span of time since their independence. India may not specifically have any foreign policy towards Pakistan in terms of building stronger cultural and economic relations to build partnership to strengthen each other in the region, but India's supreme foreign policy objective has been to isolate Pakistan regionally and internationally. So, India's policy toward other countries was shaped by its policy of sidelining Pakistan in the world stage to garner support for India's democratic values and Kashmir issues and thwart any action by Pakistan that seek international support to question India's territorial right of Kashmir being an integral part of India (Muller, 2008). There are four important issues these countries face in their bilateral relations: (i) the difference in world views, (ii) the dispute over Kashmir and (iii) the problem of nuclear confrontation, and (iv) cross border terrorism<sup>81</sup>.

There were initiatives and attempts from both sides to reduce the tension in the region after having fought three wars since independence. The Soviets Premier Alexei Kosygin moderated between Indian Prime Minister Lal Bahadur Shastri and Pakistani

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<sup>80</sup> Krishnan Ananth (2014), "India-China Trade: Record \$ 31 billion deficit in 2013", *The Hindu*, January 10, 2014.

<sup>81</sup> Mir (2014), "Kashmir-The Origin of Indo-Pak Conflicts: (War, Peace and Dialogue)", p. 115.



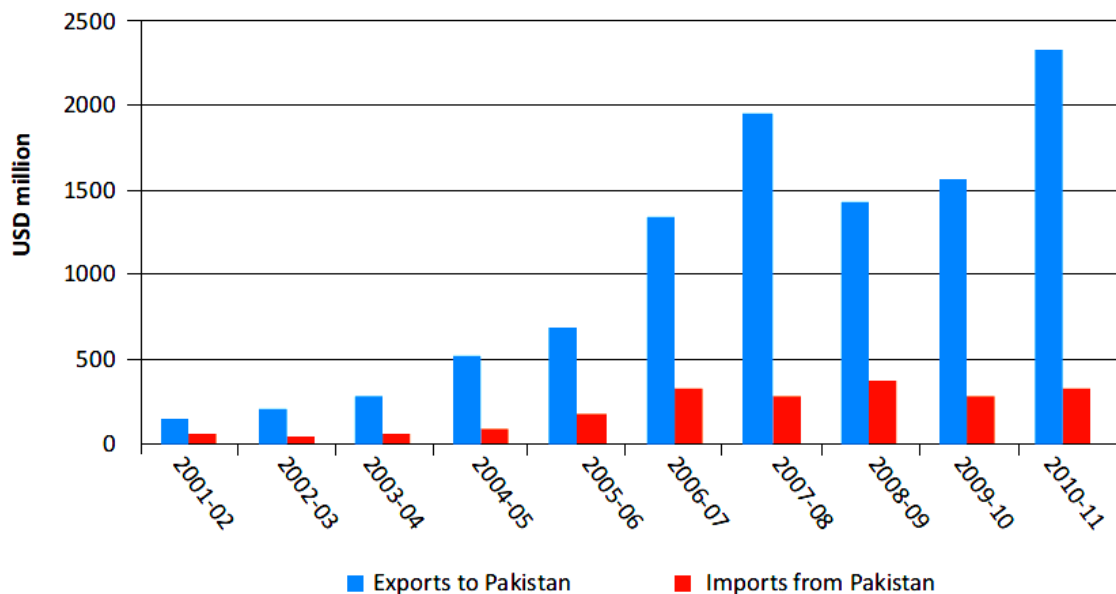
President Muhammad Ayub Khan which led to the Tashkent Agreement in 1966. The agreement succeeded in bringing about ceasefire along the borders of India and Pakistan, but the core problem remained as it is. The Simla Agreement (1972) signed by Prime Minister India Gandhi and President Zulfikar Ali Bhutto was much more than the previous peace treaty as this was a comprehensive blue print for good neighbourly relations between India and Pakistan. Under this agreement both India and Pakistan undertook to abjure conflict and confrontation, and to work towards the establishment of durable peace, friendship and cooperation. Leaders of both countries since then engaged in exchanging views on improving the relations on the occasion that facilitated their meetings on the sidelines of SAARC meetings of Non-aligned Movement summit meetings. There have been other occasions when the leaders of these two countries have had an opportunity to exchange views. As there was no major war between India and Pakistan since the Simla Agreement was signed initiatives for peace processes were carried out and in a big way it resulted in Prime Minister Vajpayee inaugurating the Delhi-Lahore Bus and his visit also resulted in the signing of Lahore Declaration which is also called a second nuclear control treaty ratified by the parliaments of both India and Pakistan (Sandeep, 2015: 92). But, the Kargil war and the Indian Airline hijack and subsequent release of terrorists jailed in Indian jail in 1999 strained the relation to a very low level and India hesitated to trust Pakistan for any future dialogues as there was no cooperation from Pakistan side to act on the terror outfits holed in Pakistan. After the change to military rule in Pakistan the future of bilateral relations seemed to be complicated, however there were initiatives from both sides to reduce the tension which also resulted in Agra Summit in 2001, but not with significant gains. The terrorists attack on the Indian parliament in 2001 caused serious damage to the bilateral relation and there were fears of a war breaking out between India and Pakistan as there was a large-scale 'near-war' mobilization of Indian forces along the border with Pakistan (Scott, 2011: 63), however war was averted due to various factors including external pressure for calm and rationality.

In 2003, Prime Minister Vajpayee once again called for a comprehensive dialogue with Pakistan which was welcomed by Pakistan and on April 28, 2003, India and

## Trends in Foreign Policies of India and South Korea

Pakistan broke the political ice when the Pakistan Prime Minister Zafarulla Khan Jamali, called the Indian Prime Minister Vajpayee to resume a substantive political dialogue between the two countries.<sup>82</sup> With India catching up with other emerging economies the trade relations between the two countries had grown in the last decade which was aided by non-occurrence of negative events till 2008 which again resulted in strained relationship between the two countries. Following India's granting of most favoured nation (MFN) status to Pakistan, though it did not reciprocate immediately, in turn, increased its list of permissible items to 600 adding 150 more items by 2004 (Scott, 2011: 67). The same year both the countries signed the South Asian Free Trade Agreement (SAFTA). Pakistan's share in India's total exports increased from 0.33 percent in 2001-02 to 0.99 percent in 2010-11. The formal trade between India and Pakistan increased from US\$ 144 million in 2001 to US\$ 2.7 billion in 2010-11 (Acharya, 2012: 9).

**Figure 2.1 - India-Pakistan Bilateral Trade**



Source: Acharya, Loknath (2012), "India-Pakistan Economic Relations", Status Paper, FICCI, New Delhi.

<sup>82</sup> Amid Pakistan's apprehension over the "conditionalities" invoked by the Prime Minister Vajpayee, in May 2003, Prime Minister Vajpayee said that this is the last effort at peace-making during his lifetime (Satsangi, 2004: 246).

As mentioned earlier, it is widely said among the strategic analysts that there is no clearly defined Indian policy vis-à-vis Pakistan and Afghanistan, nor is there an all-party consensus on this. However, Sanjaya Baru, yet maintains that two principles had defined Prime Minister Manmohan Singh's policy towards Pakistan and, indeed, the entire Indian subcontinent: "First, it is in India's interest to constantly seek normalization of relations with neighbours, and peace and stability in the neighbourhood, even in the face of grave provocations. Second, there is a growing constituency for peace and stability across the subcontinent and India must strengthen these forces rather than allow them to remain isolated and weak<sup>83</sup>." This initiative saw some forward movement with the exchange of parliamentary delegations and some informal talks that began. According to Baru, India's rise in the subcontinent would be impossible by leaving the rest of the subcontinent behind and nor this is warranted also. That is the essential departure from the previous governments and had sought to make in Indian strategic thinking.

### **India and Southeast Asia**

India and Southeast Asia have had cultural and trade relations many centuries ago. The colonization of India and Southeast Asia did not allow their traditional interaction to continue uninterrupted. After independence India did not align either with the U.S. or USSR. Association of Southeast Asian Nation (ASEAN) which was born in 1967 was mainly aimed at promoting economic activities of trade and investments among regional players. After the end of Cold War, when these countries were looking for new markets and investment opportunities they found India to be complimentary for strengthening regional economic, political and security profile which was ably supported by India's new economic policy in the early 1990s. Prior to that, during Cold War, ASEAN was not so keen on India as the U.S. projected India as a satellite of the Soviet Union and this was the main reason for ASEAN isolating India along with Vietnam. India was one of the few countries to be accorded diplomatic recognition to Vietnamese installed regime in Cambodia. Propelled by the accusation that India was posing to be a hegemonic power or helping the Soviet Union, China seized the opportunity and established closer contacts

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<sup>83</sup> Baru, Sanjaya (2013), "The Wider Vision", *The Indian Express*, September 02, 2013 at <http://archive.indianexpress.com/news/the-wider-vision/1163179/>

with ASEAN and strengthened its naval presence in South China Sea and Indian Ocean<sup>84</sup>. India's socialist model of society, nationalization and secularization were different from that of ASEAN countries' privatization and open market system.

However, India's economic liberalization in 1991, the new 'Look East' policy and changing geopolitical equations saw convergence of interests in economic, political and security matters. Later, Southeast Asia was seen as central to India's foreign policy in the entire Asia-Pacific<sup>85</sup>. Vietnam had started the process of Doi Moi (Renovation) aimed at liberalisation, privatisation and globalisation. Looking for new markets and investment opportunities ASEAN found India and Vietnam complementary and attractive for investment opportunities. It also perceived India and Vietnam complementary for strengthening regional political and security profile. These policies encouraged the ASEAN for further consolidation of its co-operation with India. ASEAN offered sectoral dialogue partnership to India in 1992. Accordingly, four core sectors of cooperation were recognised, namely trade, investment, tourism, science and technology. Sectoral partnership was instrumental in establishing the institutional linkage between India and ASEAN and the partnership proved so useful that the ASEAN upgraded it within two years to full-dialogue partnership in 1995. This facilitated the growth of relationship in different areas with economic, security and political implications. India was invited to participate in the post-ministerial conferences of the ASEAN and also in ASEAN Regional Forum (ARF), the security forum of ASEAN.

### **Trade and Investment**

Since the early 1990s the Southeast Asia region was catching up with the emerging economies and termed as one of the fast growing region in the world. So, the region's cooperation with other countries was mainly encouraged in the economic sphere. India's human resource and promising economic surge to becoming a regional economic giant lured the region for closer cooperation with India. In 1991-92, the ASEAN group accounted for six per cent of India's total exports which was less than 1 per cent of their

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<sup>84</sup> p.18, Jha Ganganath (2010), *India and Southeast Asia: Introspection for Future Partnership*.

<sup>85</sup> Ibid. p. 45

global trade for ASEAN. However, the situation started changing in the post-Cold War era. Bilateral trade figures between India and Burma stood at US \$ 7 million, with Indonesia at \$ 1,186 million, and Malaysia \$ 1,544 million in 1996-97. The same figures in 2012 reached US\$ 1.8 billion with Myanmar, \$ 21 billion with Indonesia and \$13 billion with Malaysia<sup>86</sup>.

India-ASEAN relations reached a new high on 20-21 December 2012 during the commemorative summit celebrating twenty years of dialogue partnership and ten years of summit partnership. There is growing acknowledgement on the part of ASEAN that India has a much larger responsibility and much greater role to play in Southeast Asia in the second decade of the 21<sup>st</sup> century. India's role is becoming critical in shaping the regional strategic discourse that has been drifting towards uncertainty, multi-layered rivalry and multipolarity. While both Manila and Hanoi called for New Delhi's active participation in the regional security discourses, such as resolution of the South China Sea issue, Cambodia requested India for the financial assistance of US\$57 million<sup>87</sup>. There were more expectations during the proceedings of the Delhi Dialogue II at the track-I level in March 2011 when demands for India's active role in the region were sought by the experts and leaders in the backdrop of China's growing assertion in the South China Sea since May 2010<sup>88</sup>. India's policy towards Southeast Asia is also motivated by China's influence in the region and the imperative for India to compete with China and economically with other big powers in the region which required a concentrated policy measures to get the access to the ASEAN market. This led to India's closer economic, technical and defence assistance to new members of Asian namely Myanmar, Laos, Cambodia, Vietnam and Brunei. While India's relations with all ASEAN countries are based mostly on economic and defense calculations, its relation with Myanmar is above mere economic interests due to its close proximity, domestic political conditions, energy and cross border security concerns.

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<sup>86</sup> Also refer to <http://www.india-aseanbusinessfair.com/india.pdf>

<sup>87</sup> Shekhar, Vibhanshu (2013), "India-ASEAN Relations Enter a new Discourse", *Viewpoint*, ICWA, 2 January, 2013.

<sup>88</sup> Shekhar (2013), op cit., p.3

### India's policy towards Myanmar

Some of the Indian states in the northeastern part of India are closer to Southeast Asian countries than to India's capital New Delhi. The Indo-Myanmar border makes up for many trade activities between two countries. Mishra (2012) contends that most of the tribal populations of Indian states along the Indo-Myanmar border make no shy of their affiliations to other community brothers across the border in Myanmar<sup>89</sup>. Myanmar is the only ASEAN partner that India shares both land and maritime boundaries. The initial years after Myanmar's independence in 1948 witnessed a uncomfortable diplomatic situation as citizens of Indian origin people living in Myanmar lost their jobs in the absence of citizenship after Myanmar then known as Burma passed Union Citizenship Act 1948, which erased any prospect for Indians to get job as this law made it difficult for Indians to get the certificate of citizenship. While the Myanmar government was insensitive towards this issue India also did not pressurize Myanmar any further to change the Act in favour of or not harming Indians<sup>90</sup>.

India's initial relations and interactions with Myanmar were more political than economic. India's first concern was the developments at its border: the instability in the North-East states; Myanmar has been a gateway for India to enter into ASEAN markets through railways and roadways. Myanmar's close relationship with China has been a matter for concern for a long period<sup>91</sup>. Any power that is hostile to India happens to hold control of Myanmar is perceived as a predator standing at the backyard. Although Myanmar supported the policy of non-alignment in the initial years after its independence it gradually developed a closer relation with China. This phenomenon can be attributed to the fact after the military coup of Myanmar in 1962 by General Ne Win, it did not receive any greater importance from India and other South Asian countries. It was only later that ASEAN and SAARC adopted "constructive engagement" with Myanmar to maintain

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<sup>89</sup> Mishra, Binoda Kumar (2012) "India's Engagement with Southeast Asia: Security and Strategic Compulsions", in Binoda Kumar Mishra (ed.) *India and Southeast Asia-Exploring Possibilities of Cooperation*, p. 41,

<sup>90</sup> Many Northeast Indian ethnic groups like Nagas, Mizos, Bodos, Ahoms and Meitzis have their counterparts in Myanmar. Jha (2010), op. cit., p.294

<sup>91</sup> See, <http://www.egreteau.com/images/India-BurmaPaper-Web.pdf>

constant interaction<sup>92</sup>. India's problem emanating from Myanmar was arms supply as a constant source of replenishment and nourishment for insurgent groups in Northeast India. Insurgent groups like Mizos, Naga movements' facilities National Socialist Council of Nagaland NSCN(IM) and NSCN(K) proved expensive for India to control arms movement across the border<sup>93</sup>. India's relation with Myanmar further faced setback when Nehru Award was awarded to Aung Sang Syu Kyi in 1995 as that was used as a pretext by Myanmar for its inaction against Indian insurgents in Myanmar territory. They called off the Indo-Myanmar operations as a reply to India<sup>94</sup>.

However, by pursuing 'Look East' policy India continued to strengthen economic and strategic ties with Myanmar through dialogues<sup>95</sup>. External Affairs Minister Jaswant Singh's visit in 2002 resulted in India, Myanmar and Thailand signing a Trilateral Agreement on 6 April, 2002. The agreement included: (i) construction of highway from Moreh in Indian border of Manipur to Mae Sot in Thailand through Bagan in Myanmar which is expected to be completed in two years; (ii) promotion of a highway from Kanchanaburi in Thailand to Dawei deep seaport in Myanmar and shipping links to seaport in India; (iii) the promotion of trade investment, tourism through facilitation of movement of goods and people across borders; (iv) cooperative efforts on human resource development and transfer of technology; and (v) collective efforts to mobilize funds, resources and advisory services from various agencies for transport linkages<sup>96</sup>. India, since the onset of its 'Look East' policy has been engaging Myanmar by evolving a cooperative mechanism through ASEAN, ARF, BIMSTEC, and Mekong-Ganga project with an aim to increase economic and strategic interaction. The reason that Myanmar is

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<sup>92</sup> Masilamani Logan and Jimmy Peterson (2014), "The 'ASEAN Way': The Structural Underpinnings of Constructive Engagement", *Foreign Policy Journal*, October 15, 2014, <http://www.foreignpolicyjournal.com/2014/10/15/the-asean-way-the-structural-underpinnings-of-constructive-engagement/>

<sup>93</sup> Mishra (2012), op. cit., p.42

<sup>94</sup> Later the operations that were conducted in 2000 and 2001 were not successful as the army generals of Myanmar were not keen in handling the insurgents to India.

<sup>95</sup> In his goodwill mission visit in 2000 General Malik expressed his satisfaction with positive response from Myanmar in exchanging information on insurgents and tracing their hideouts.

<sup>96</sup> p. 294 Singh, Kansom Ibo (2005), "Insurgency in North East India and Myanmar Connection", in S.K. Agnihotri and B. Datta Ray (eds.), *Perspective of Security & Development in North East India*, New Delhi: Concept Publishing Company.

abundant in oil and natural gas has given another reason for India to forge a closer relationship with Myanmar<sup>97</sup>.

### **India's Policy on West Asia**

India's relation with its Western region dates back to millennia. It has interacted with three civilizations of this region – Persian, Arab and Turkish. India's relations with the Arab and Islamic world, rooted in history and culture, have been enriched over the centuries by a deeply rooted, prolific and mutually-beneficial exchange of goods, services, people and ideas. This long-standing contact imparts a unique character to India's relations with the region. The political ties between India and the Arab world expanded significantly in the decades after India's independence in 1947. With the end of colonialism, the independent countries of West and India adopted a policy of non-alignment in a world sliding into the Cold War. Non-alignment brought a pan-Arab credo of liberty, unity and socialism into an acceptable international political framework without threatening the internal stability of the weak West Asian regimes that came to power in the post-colonial period. India sees 'West Asia' as three distinct sub-regions – the Gulf, West Asia or the Mashreq and North Africa or the Maghreb, which it considers part of its proximate neighbourhood. India no longer refers to the region as the 'Middle East', a Eurocentric term based on British naval strategy, adumbrated by the naval historian Alfred Thayer Mahan (1840-1914)<sup>98</sup>.

This research will use the term 'West Asia' instead of 'Middle East' in most of the places (otherwise mentioned in titles) for a better understanding of the term as well as to suit the Indian academia. Since Independence, India has sought the "middle ground" on divisive issues related to West Asia. India's policy towards West Asia operates within a broad framework of maintaining equidistance in intra-regional conflicts and support to

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<sup>97</sup> OVL holds 17% PI (Participating Interest) in Myanmar's upstream Blocks A1 & A3. The OVL's share of investment in the mid-stream projects was about US\$ 265.637 million and 127.633 million for Block A-1 and A-3 respectively.

<sup>98</sup> Abhyankar Rajendra and Azadeh Pourzand (2013), p.5.



the Palestinian cause. Its economic corollary has been the development of economic, trade and investment ties, and of energy security<sup>99</sup>.

At the 16th Summit of the Non-Aligned Movement (NAM) in Tehran in August 2012, Prime Minister Manmohan Singh said: "... [T]he progress, prosperity, well-being, political stability and plurality of the Asia to our West have always been of equal historical and civilizational significance for us. A West Asian region that can realise its full developmental potential, live in peace and harmony and join the comity of democratic and plural societies will contribute enormously to human progress and peace in the 21st century<sup>100</sup>." India's policy towards West Asia, in general, was to cultivate friendly and peaceful relations with the countries in the region and march together through shared prosperity which is conditioned by mutual interest and trust. India's initial foreign policy position as an independent country was also directed at this region when India supported the Palestinian cause. It further projected its foreign policy position of preference for secular and democratic regimes, security and stability of the region, mutual progress through trade and investments, and energy security<sup>101</sup>. After the end of the Cold War, and with the onset of economic liberalisation, India was forced to recalibrate its West Asia policy. An important consequence was the diplomatic opening to Israel 45 years after India's Independence.

India's hostile relations with Pakistan prompted the late Prime Minister Jawaharlal Nehru to opt for development of good relations with the Muslim states of West Asia<sup>102</sup>. The Ministry of External Affairs established the Indian Council for Cultural Relations in 1950 to improve ties with West Asia through eminent Indian Muslim political leader and academics like the late Union Minister for Education Maulana Azad and the late President of India, Dr. Zakir Hussain. Two broad components of India's policy towards West Asia were: (a) to assist Arab nationalism and self-

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<sup>99</sup> Ibid

<sup>100</sup> Ibid

<sup>101</sup> India has been projecting its secular model towards the West Asian countries and reiterating the contagious cross-border nature of terrorism which has a tint of its main foreign policy objective of singling out Pakistan as a home of terrorism. (Abhyankar, 2013: 8).

<sup>102</sup> Chengappa, M Bidanda (2010), "India-Israel Relations: Politico-Military Dimensions", *CLAWS Journal*, p. 244.

determination without the intervention of Western industrialized democracies; (b) endorsement of the Arab position in the Arab-Israeli dispute.<sup>103</sup> India stayed away from establishing diplomatic relations with Israel for a long time in order not to rupture the relations with the Arab world. After the end of Cold War and thawing in Arab-Israel relations in the early 90s India and Israel initiated talks for diplomatic ties in 1991 and India formally established relations with Israel in 1992<sup>104</sup>. In the early 1990s, with the changes in the global political scenario, India improved its engagement with the Gulf region. India also initiated engagement with Iran and within a decade, the two countries were able to build up a firm relationship<sup>105</sup>.

India's has been showing immense interest with the Gulf Cooperation Council (GCC) in economic, political, security and strategic fields. In recent times both sides have been looking for new areas of cooperation and are involved rigorously to improve the relationship. Economic relations have been the backbone of India-GCC ties, with trade and business growing steadily. The Gulf supplies around two-thirds of India's energy requirements. Also the Gulf region has been an attractive market for Indian manufactured goods like textiles, spices, food products, electrical good and machineries and IT products. Bilateral trade between India and GCC countries in 2010 was estimated at around \$84 billion<sup>106</sup>. The GCC countries are one of the major partners in terms of trade and commerce. Trade, ranging from oil, non-oil, investments, remittances and etc had reached a total of up to \$200 billion in 2010-2011. With total trade at \$67.7 billion, United Arab Emirates (UAE) was India's top trading partner, with leading export destination and favourable trade balance<sup>107</sup>. Protecting the interest of the five million strong Indian workers' interests has been an important objective of India's foreign policy

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<sup>103</sup> Ibid

<sup>104</sup> Another factor that should be reckoned is in the post-Soviet era, India was keen on US support and the 1991 Gulf War also revealed irritants between the Arab states and urged a fresh India policy towards West Asia

<sup>105</sup> But the following decade witnessed a number of developments such as India's stand on Iran's controversial nuclear programme, calling off IPI pipeline project all which negatively impacted the relations between India and Iran.

<sup>106</sup> Pradhan, Prasanta Kumar (2011), "GCC-Iran Rivalry and Strategic Challenges for India in the Gulf", *India Foreign Affairs Journal*, 6(1): pp. 45-57

<sup>107</sup> Read, former Ambassador to Oman, Ranjit Gupta's speech at <http://www.mei.edu/sites/default/files/publications/The%20Arab%20Spring%20and%20West%20Asia%20-%20Challenges%20for%20India.pdf>

in the region. To emphasize the importance that India gives to the region and to get closer to the Gulf countries to promote its interest, India adopted the “Look West” policy in 2005.

The volatile security situation in the post 9/11 world scenario and given the precarious strategic environment convinced the GCC countries to adopt a “Look East” policy to give priority to their Asian neighbours and hence India figured large in their new-found policy priorities. India has been granted the status of a “dialogue partner” by GCC<sup>108</sup>. The burgeoning economic progress, stable democratic political structure, technological development and the increasing energy demand make India an important partner for GCC and vice versa. With regard to India’s relationship with Iran there have been some difficult phases and ups and downs in the relation, however Iran has been defined as India’s “proximate neighbourhood”. Iran’s geopolitical and strategic location, long coastline along the Gulf, and its influence over the Strait of Hormuz make it an important country in the region. Given the fact that Iran has the third-largest proven oil reserves and second-largest gas reserves in the world, India heavily relies on Iran’s energy sources and India’s long-term energy security is pinned on Iranian energy especially gas. According to former Foreign Secretary, Nirupama Rao “India’s interest in the Indian Ocean region and the proximate neighbourhood of which both India and Iran are a part, focuses on the need for regional peace and stability, mutually beneficial relations with littoral states, accessibility of oil and gas resources, the freedom of navigation through the Persian Gulf and the Straits of Hormuz, and access to regional markets for Indian goods, technology, investment, labour and services”<sup>109</sup>.

However the issue of energy supplies is directly related to the regional political conditions and the warmth of bilateral relations. In recent years, India-Iran relations have undergone a hard time due to external political pressure and development of events leading to that. After India withdrew from the IPI project it voted against Iran at the

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<sup>108</sup> India is the first developing country and fourth country after USA, European Union and Japan to have been granted this status. See, Pradhan, Prasanta Kumar (2011), p. 49.

<sup>109</sup> For Nirupama Rao’s speech see,

[http://idsa.in/KeynoteAddressIndiaandIrananenduringrelationship\\_nirupamaroy](http://idsa.in/KeynoteAddressIndiaandIrananenduringrelationship_nirupamaroy)

IAEA and also it was getting closer to the U.S. and GCC countries which further weakens the India-Iran relations and seems discouraging for stronger ties. Though there have been engagements of both countries through bilateral trade and investment and some high-level political visits taking place between them, these initiatives have not transpired into stronger political and strategic ties off late. Though, the IPI gas pipeline project is currently out of reach for India, Iran has stated that India can join the project at anytime it wants<sup>110</sup>.

As long as India's recent policy towards Iraq is concerned, apart from the developmental and rehabilitation programmes, India's policy to have any influence is almost negligible. India had withdrawn almost all of its India based personnel from its Embassy in Baghdad shortly after the US invasion in 2003. It sent an Ambassador only in June 2011. There have not been any Ministerial or senior officials visit to Iraq since US invasion. The Iraqi Minister of Oil, Hussein Al Sharistani, visited India in 2007 and Minister of Industry and Minerals, Fauzi Franso Hariri visited in February 2010. However, India have been trying to regain its influence in Iraq by means of trade and investment, rehabilitation programmes, supporting capacity building and human resource development, etc. in Iraq. Despite the low level relationship between India and Iraq, in 2011 India emerged as Iraq's fifth largest trade partner and its third largest export destination besides Iraq being India's one of the largest sources of oil after Saudi Arabia and Iran. In 2011-12, India's imports of crude oil from Iraq stood at 24.51 million tones with more than US\$ 14 billion which pushed Iran behind Iraq as the second largest supplier of oil<sup>111</sup>.

India, being the fourth-largest oil-consuming country in the world imported large part of its crude oil from Saudi Arabia. Among the GCC countries Saudi Arabia was the top crude oil supplier to India in 2009-10 with 26,882.66 tons, followed by Iran (22,085.77 tons). Other major crude oil suppliers from the region are Kuwait (14,611

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<sup>110</sup> Sandeep Dikshit (2011), "Iran Hopes India Will Revive IPI Project", August 3, 2011, <http://www.thehindu.com/news/national/iran-hopes-india-will-revive-ipi-project/article2110229.ece>

<sup>111</sup> Gupta Ranjit (2013), "The Arab Spring and West Asia: Challenge for India", <http://www.mei.edu/sites/default/files/publications/The%20Arab%20Spring%20and%20West%20Asia%20-%20Challenges%20for%20India.pdf>

tons), Iraq (13,883.4 tons) and UAE (10,433 tons). India also imported 8.25 billion cubic metres (bcm) of natural gas from Qatar, 0.35 bcm from Oman and 0.17 bcm from the UAE in 2009. India's attempts to build Strategic Petroleum Reserve would make it rely more upon the region for energy<sup>112</sup>.

### India and Central Asia

As the main characteristics of foreign policy that stand for India's relations with other countries, the cultural geopolitical and economic factors influence the importance of Central Asia to India. When the cultural interactions between India and Central Asia are traced, the pinnacle of it can be looked under the Kushana Empire, which included territories of Central Asia and a considerable part of North India<sup>113</sup>. The interaction between India and Central Asia intensified when the Central Asian Turks established control over north India during thirteenth century. The consolidation of Mughal Empire later in the sixteenth and seventeenth century contributed in the increased interaction with Central Asia. However, post-British colonization of India did not allow any cultural and economic interaction to flourish as the Tsarist Empire's annexation of Central Asia did not well for such interactions to flourish. Independence from the British rule and the partition of India in 1947 did not help either in improving and re-establishing the lost interactions with Central Asia as the partition had cut off India from its natural neighbours Iran, Afghanistan and Central Asia.<sup>114</sup>

The former Soviet states of Central Asia has always been in a pivotal region for India's strategic interest however it appears more pivotal now than they were during the Soviet era. India's relation with the region, when it was part of the Soviet Union, was mostly mediated through Russia. Whatever little privileged links India had with these countries was strengthened through the 1971 Indo-Soviet Treaty of Peace Friendship and Cooperation even in this India was a junior partner<sup>115</sup>. The emerging trend of strategic

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<sup>112</sup> Pradhan (2011), op. cit., p. 54

<sup>113</sup> See, Pandey Sanjay Kumar (2012) "India and Importance of Central Asia", in P.L. Dash (ed.), *India and Central Asia: Two Decades of Transition*, Oxford University Press. p.1

<sup>114</sup> Ibid. p.3

<sup>115</sup> Read, Joshi, Nirmala (2011), *Reconnecting India and Central Asia: Emerging Security and Economic Dimensions*, New Delhi: Pentagon Press. p. vii

shift from Europe to Asia after the end of the Cold War is credited to the emergence of fifteen new independent entities after the Soviet disintegration<sup>116</sup>. In the post-Cold War period India's pursuit of its relation with the Central Asian states was based on its core principles of not letting these countries to have a closer relation with Pakistan which might create an anti-India coalition over the Kashmir issue. Another imperative that was behind the rationale for the revival of India's relation with Central Asia was to persuade the Central Asian states not to provide any technical or material assistance to Pakistan in its nuclear programme. Other factors that fostered and boosted the relation with Central Asian countries were business agenda and to ensure the commercial and military suppliers<sup>117</sup>.

Natural resources, particularly energy sources, necessitated the developed and developing countries to procure energy resources and vital minerals from Central Asian states that are storehouses of natural resources. The challenge before the newly formed independent states, in a vastly changed and volatile regional environment, was to dismantle the Soviet style old system and prevent an economic collapse while ensuring their security<sup>118</sup>. Geopolitics, energy security and the military presence of Western forces in the post 9/11 scenario enhanced their geopolitical significance. There term the "New Great Game" which features an intense struggle among all the outside powers for spheres of influence and energy resources in Central Asia that is muted among the local great powers namely Russia and China. While other powers including India, Pakistan and other outside powers also included in the term, however their combined significance pales compared to the Big Three-Russia, China and United States<sup>119</sup>.

Though the Caspian region enjoys a higher strategic value, Central Asia nevertheless is an important point of competition among the powers competing for influence in the region. As Collins puts it the "game" is only "great" to the degree that

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<sup>116</sup> Ibid, p. 1

<sup>117</sup> Pandey (2012), op. cit., p.3

<sup>118</sup> Joshi (2011), op. cit., p.10

<sup>119</sup> Collins, Kathleen and William C. Wohlforth (2004), "Central Asia: Defying the "Great Game" Expectations" in Santhanam K, Ramakant Dwivedi (eds.) *India and Central Asia: Advancing the Common Interest*,

these regional and global powers' interests are figure importantly in their global strategy and those interests are priority rather than optional goals in their hierarchy of regional strategic objective<sup>120</sup>. While all major players want more control and influence in the region this leads to a zero-sum game, as one's gain comes at the cost of another's. During the post-1971 era of close Indian-Soviet relations, cultural exchanges flourished between India and the Central Asian republics. India's entry in to Central Asia as an influential player in the already 'power packed' region in the aftermath of Cold War has not been an easy business.

Nevertheless, India's interest for the region lies in the security of Central Asian region though it is not able to match the regions expectations in economic terms<sup>121</sup>. Though India's rhetoric did not match its action and did not reflect in its policies on the region at the turn of 21<sup>st</sup> century came the turning point in India's engagement with the Central Asian countries. As India's stature in the global arena as a growing economy, stronger military, building strategic partnerships and growth of knowledge industries gave its foreign policy push to engage not only with South Asia but the whole of Asia<sup>122</sup>. Given the change and broadening in the security parameters India's stake in the extended neighbourhood have risen considerably which gave a fresh impetus to India's "Look Central Asia" policy<sup>123</sup>. While the stability of its extended neighbourhood was one of India's 21<sup>st</sup> century foreign policy imperatives for its proactive role in Central Asian region the energy concerns was another factor in India's strategic thinking. The new energized phase of India's engagement with the Central Asian countries is based on a sound footing of common commitment to democracy, open societies and secularism, perceptions of threats and challenges to such ideas. India carries out its action through bilateral instruments in its pursuit of foreign policy objective in the region. India has been actively involved in the reconstruction of war rampaged Afghanistan and the issue of peace and stability in Afghanistan is one of the core objectives of intensifying its interaction and engagement with Central Asia. India maintained all its political contacts

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<sup>120</sup> Collins, Op cit., p. 41

<sup>121</sup> Joshi (2011), op. cit., p.11

<sup>122</sup> Ibid., p.12

<sup>123</sup> Ibid.

with the region through its strategic partner Russia. The break-up of Soviet Union was not expected, at least in the Indian side and therefore no importance was given to the coup of August 1991. But, later with the better grasp of the international situation and progress in political engagement with Russia, India restored its traditionally friendly links with Russia, particularly in defense.<sup>124</sup>

With the rise of non-traditional security threats and challenges in Central Asia, India intended to strengthen Russia's hand to protect and safeguard the new states against rising extremism and terrorism<sup>125</sup>. Instead of using the Soviet collapse as an opportunity for foraying new relationships with the new states of Central Asia and acknowledging the new realities and recognizing the need to develop new priorities, India was still looking for ways to managing its relationship with Russia. This resulted in India overlooking the Central Asian countries and loosing the opportunity to develop strategic relationship with the region. In 1991 and 1992, India established its diplomatic relations with Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan and Uzbekistan.

The new government in India did not seize the opportunity provided by the president of Central Asian countries in 1991 and 1992. Uzbek President Islam Krimov in his maiden visit to a country outside the Commonwealth of Independent States paid a visit to India in 1991, while Kazakhstan's President Nursultan Nazarbayev visited India in 1992 which was followed by President Asar Akayev's visit in the same year. However, these goodwill efforts were not immediately reciprocated by the Indian side until 1993. As economic reforms of India started showing its result by the turn of century, India's desire to play a larger role motivated it to broaden the parameters of its policy to Central Asia thus seeing beyond South Asia. Another factor that largely shaped India's policy of a full-fledged engagement with the Central Asian states was the chances of Pakistan developing closer relations with the Central Asian states and form a coalition to thwart India's efforts for its sustained economic development and its aspiration for a larger role as a regional/global leader.

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<sup>124</sup> Joshi (2011), op. cit., p. 37.

<sup>125</sup> In the process India did not object to the stationing of the Russian-led CIS peacekeeping force on the Tajik-Afghan border, as India felt it was for the better interest of India.



India's larger geostrategic rethinking was compelled by another factor; the influence of the U.S. and China in the Central Asian region. While the Cold War period marked India's relation with the region through official meetings and dialogues and did not involve much material connection the post-Cold War era is based on connecting through material support also. Since Central Asian states are landlocked it has not been an easy task for India to reach out to these states which is why Afghanistan has been a critical link in India's connection with Central Asia.

Russia seeks to strengthen their influence region with their rebounding economy which was otherwise holding them back in their bold actions. For China it's a need for an enhanced presence in the region for it has to support its projection of 'rising power' status as well as its monetarily growing energy need for a sustained real economic growth. For the U.S. their role in the development of political, economic development and safe security environment for Central Asian region would be a prerequisite for its continued and enhanced role in the region<sup>126</sup>. India did not devise an enhanced policy to have its influence and make its larger presence in the region after the disintegration of the Soviet Union whereas other developing economies such as China, countries in Europe, U.S., Japan and Korea took the early opportunity to have a close knit relation with these countries and augmented their presence and control in the region. Collins (2004) says "For China and Russia the most pressing grand strategic objectives remain economic development and modernization. While both are animated by a quest for great power prestige, the current consensus among officials in both nations is that , for the foreseeable future prestige concerns must take a back seat to the drive for modernization whenever the two aims come into conflict. Moreover, for China, Russia and the US, more immediate strategic concerns put other regions above Central Asia in their hierarchy of interests. The war on terrorism by the US has already shifted to the Persian Gulf. Russia's

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<sup>126</sup> Collins (2004), op. cit., p. 41

most pressing security concerns remain in Chechnya and the Caucasus, while China remains focused on Taiwan.”<sup>127</sup>

India’s failure to grab the opportunity to make its presence in the region could be attributed to its indecisiveness to forge a new relationship with these newly formed states antagonizing or bypassing Russia’s mediation which used to be the order of the day during Soviet era. Other factors could be India’s economic difficulties and unstable internal and external political environments during this time. Despite India’s assertion that Central Asia is part of its strategic calculations, its policies towards the region were not as robust as the rhetoric<sup>128</sup>. With the coming of new players in the Central Asian region i.e. China and the United States the debate on India’s rationale for its increased role in the region poses the question of whether India’s relation with the Central Asian region is to balance the big players or to balance Pakistan’s influence?<sup>129</sup> However maybe the power structure and power play in the Central Asian region now, India’s policy towards Central Asia takes into consideration of its economic, diplomatic and military power and use them for its foreign policy objectives. As far as the security of India is concerned the Central Asian region provides India the opportunity to prevent the creation of an Islamic belt by the Central Asian states with the alliance of Pakistan. It should be noted that India’s concern for preventing such an alliance is not aimed to balance the big players in any way in the region. Rather, India’s strategic interests see a convergence with that of the United States, which has been a big player in the region since 2001 with its war against terrorism strategy in Afghanistan. The security interest has been the driving force for India’s for India’s efforts to foster security cooperation with Afghanistan and Tajikistan.

Both India and Central Asia share borders with Afghanistan and Pakistan. Also, India and Central Asia share a common threat of Islamic radicalism and extremism that

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<sup>127</sup> Collins, A Kathleen and William C. Wohlforth (2004), “Central Asia: Defying “Great Game” Expectation”, in Richard J. Ellings et. al., *Fragility and Crisis*, p. 294.

<sup>128</sup> As noted in Joshi Nirmala (2011), “The Annual Report of India’s ministry of Defense stressed Central Asia as an area of vital importance to India, not only on account of geographical proximity and its historical and cultural links, but also because of the common challenge both India and the Central Asian region face from extremism and terrorism.” p. 19

<sup>129</sup> Pandey (2012), op. cit., p.4

can create instability in both regions. So, India's closer relation with Central Asia is encouraged by the opportunities and possibilities of advancing India's regional ambitions. As far as economic policies toward Central Asia are concerned India is keen to ensure uninterrupted access to oil and gas sources originating in Central Asia. India has been showing keen interest for a closer cooperation with Kazakhstan, Uzbekistan and Turkmenistan that have energy resources in abundance. India's energy security concern and domestic energy needs for a sustained economic growth has been the driving force for the increased cooperation with the region. Where big players like the U.S. and China see India's role as a balancing act. But, from a plain and straight perspective India's main concerns are security/terrorism and energy security.

### **India's Foreign Policy towards Africa**

Africa is geographically a maritime neighborhood continent for India and India has been in constant trade relations with Africa since the 16<sup>th</sup> century while they have many common demography features, rich natural resources and large domestic markets. In modern times, India's involvement in the decolonization and freedom of African countries is widely appreciated across political communities in India and outside. Jawaharlal Nehru argued that peace could come only when nations were free and when human beings had freedom, security and opportunity, so his favorite refrain was "Freedom and peace are indivisible"<sup>130</sup>. Sharing a past that had witnessed similar struggles against colonialism, poverty and illiteracy, Africa was Nehru's main concern after attaining India's independence as he often said "no people had suffered so much from colonialism and racialism as the people of Africa."<sup>131</sup>

India's relations with South Africa can be seen in its struggle for freedom and justice for South Africa. The new era of globalization and India's own new economic policies since 1991, which is a transition from state-controlled development policy to neo-liberal policy, both of which work on the basis of intense interdependence and mutual cooperation have augmented the relation between the two parts of the world and acquired

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<sup>130</sup> p. 20, Chhabra, Hari Sharan (1986), *Nehru and Resurgent Africa*, Mohana Chhabra: New Delhi.

<sup>131</sup> soon after India's independence, Nehru initiated a programme of providing scholarships to Kenyan students for he viewed this as India's contribution towards helping Kenya's march towards freedom.

new significance in each other's foreign policies. India's relation with Africa is demonstrated by a strong sense of continuity of the core principles of the 1954 *Panchsheel* principles, adopted by the original 1955 Bandung Conference, for peaceful coexistence, based on mutual respect, non-aggression, non-interference, equality and mutual benefit<sup>132</sup>. India's approach towards Africa is based on its history which projects India's solidarity with African countries during their struggle for freedom from colonial rule which differentiates India's role from the West and even currently China's new found fervor in the continent for economic benefits.

The main factors that changed the way India pursued its foreign policy specifically foreign economic policy was inflation and balance of payments (BOP) constraints. The precarious situation that prevailed during the troublesome period caused by Iraq's invasion of Kuwait in 1990 and the subsequent Gulf War in the early 1991 and the growing consensus among major political parties for the need of shift in India's economic policy and reforms facilitated the imperative for the economic policy change that reflected in India's foreign economic policies and altered its course of relations with other countries. The new economic policies and the new environment post cold war presented opportunities for India to widen and aggressively carry out trade relations with African countries. There were number of policy measures that were aimed to boost trade with African countries.<sup>133</sup> India's partnership with African countries rests firmly on a historical foundation of a shared colonial past and similarity of post-independence development experiences<sup>134</sup>. It has been widely accepted in the academic circle that India and Africa relations and closer engagements on economic activities are the direct outcome of dramatic geopolitical changes caused by the Soviet disintegration and the end of the Cold War. The India-Africa forum Summit which, first took place in 2008, is an

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<sup>132</sup> Daniel Large, "India's African Engagement",

<http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR016/SR-016-Large.pdf>

<sup>133</sup> As per the Market Access Initiative (MAI) announced by the Government of India, it is intended to provide financial assistance for medium term export promotion efforts with a sharp focus on a country and product". The financial assistance is available for export promotion councils, industry and Trade Associations, Agencies of State Governments, Indian Commercial Missions abroad and other eligible entities as may be notified from time to time. See, Mayalankar, P. Anand (2008), "India's Transition from State-controlled Development to Neo-Liberal Policy and its Impact on India-Africa Trade Relations"

<sup>134</sup> p.1, Ganapathi, M, "India-Africa Partnership", Ruchita Beri, *India and Africa: Enhancing Mutual Engagement*, Pentagon Press: New Delhi.

## Trends in Foreign Policies of India and South Korea

established testimony for the deeper engagement between India and the African countries, which is propelled by the convergence of both sides' national interests<sup>135</sup>. India, in the economic environment, recognized huge potential of revitalizing its relation with African countries to achieve its political and economic goals.

**Table 2.1 - India's Trade with the African Region (Unit: US\$ million)**

Region	India's Total Trade with Region in 1996-1997	% Share in India's Total Trade in 1996-97	India's Total Trade with Region in 1997-98	% Share in India's Total Trade in 1997-98	% Growth in India's Total Trade over previous year	India's Total Trade with Region in 2007-08	% Share in India's Total Trade in 2007-08	India's Total Trade with Region in 2008-09	% Share in India's Total Trade in 2008-09	% Growth in India's Total Trade over previous year	% Compounded Average Growth Rate (CAGR) in India's Total Trade Over a Period of 13 Years
Central Africa	141.26	0.19	122.66	0.16	-13.17	306.94	0.07	537.93	0.11	75.26	11.79%
East Africa	619.1	0.85	588.57	0.77	-4.93	4535.29	1.09	4863.22	0.99	7.23	18.74%
Southern Africa	875.38	1.21	1119.2	1.47	27.85	8437.07	2.03	10357.56	2.12	22.76	22.86%
West Africa	2001.44	2.76	1773.2	2.32	-11.4	13188.25	3.18	14536.45	2.97	10.22	17.97%
North Africa	845.94	1.17	1230.61	1.61	45.47	8195.14	1.98	9246.57	1.89	12.83	22.05%
India's Total Trade with African Region	4483.12	6.17	4834.24	6.34	7.83	34662.69	8.36	39541.73	8.09	14.08	19.89%
India's Total Trade	72602.36	100	76269.47	100	5.05	414786.19	100	488991.67	100	17.89	17.23%

Source:- [http://focusafrica.gov.in/About\\_India\\_0.html](http://focusafrica.gov.in/About_India_0.html)

The project "Focus Africa"<sup>136</sup> remains an important policy initiative of India for its rejuvenated relations with African countries. While there have been political engagements with Africa over the years, the emphasis has been more on the economic

<sup>135</sup> Gupta Arvind (2014), "India Africa Relations in the Changing Geopolitical Environment", p. 21.

<sup>136</sup> Focus Africa programme initially focused on Sub-Saharan African Region (SSA) comprising the focus countries of South Africa, Nigeria, Mauritius, Tanzania, Kenya, Ghana and Ethiopia. Later, seventeen more countries, including six North African countries, were covered under the programme.

interactions<sup>137</sup>. Table 2.1, shows the trade relation between India and the African continent after the initiation of “Focus Africa” programme.

### **Maritime cooperation**

During Cold War period India’s efforts to forge closer links with Africa, its maritime neighbor continent, were thwarted due to political reasons<sup>138</sup>. A favourable environment, thanks to the end of Cold-War, and commendable growth in its maritime capabilities paved way for India to develop closer maritime contacts with Africa, especially in the western Indian Ocean Region. The developments in maritime cooperation helped in strengthening the areas of security, economic development and humanitarian assistance. There are many instances of such cooperation between India and African countries. Indian warships INS Gomati and INS Khukari visited South Africa port after the end of the policy of apartheid and regime change towards an apartheid free, democratic South Africa in 1994. Many such sorts of visits by Indian naval ships to other littoral and island states of Africa were carried out by India which were also reciprocated.

India’s foreign policy does not encourage it to enlarge its naval fleet to post a threat to other countries sovereignty which will be against its foreign policy principles guided by *Panchsheel* doctrines. However, to guard against the non-state actors threats for the safety and security of its friendly maritime neighbours India gives security assistance to African countries. India dispatched its missile armed destroyer INS *Ranjit* and patrol vessel INS *Suvarna* under the request by the government of Mozambique to provide sea-ward security to Maputo as the government was hosting the Second African Union Summit between July 4 and July 12, 2003<sup>139</sup>. India had increased the frequency of the visits by both the vessels of navy and the Coast Guard to the Republic of Mauritius

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<sup>137</sup> p.3 Ganapathi M, “India-Africa Partnership”

<sup>138</sup> India, in its initial years, was accused of having hegemonic designs and India’s neighbours warned to keep away from India. Read, K.R. Singh, “India-Africa Maritime Cooperation: Western Indian Ocean Region”, in V.S. Sheth (ed.), *India-Africa Relations: Emerging Policy and Development Perspective*, p. 278

<sup>139</sup> When on guards INS *Suvarna* also carried out training exercises with the personnel of the Mozambique navy. *Ibid.*, p. 280.

and Seychelles and transferred vessels and aircraft to strengthen the maritime cooperation and security.<sup>140</sup>

India's defence cooperation with African countries is another area of strength for the two-way quid-pro-quo relation. India has extended technical assistance to African countries under the Indian Technical and Economic Cooperation (ITEC) programme and the Special Commonwealth Africa Assistance Plan (SCAAP). India spends 500 million rupees annually on ITEC activities on the following aspects<sup>141</sup>

- (a) Civil and military training
- (b) Projects and projects related assistance (supply of equipment and consultancy services)
- (c) Deputation experts
- (d) Study visits of senior officials/decision makers to India

India's growing energy needs, thanks to its burgeoning economic development, have necessitated it to go beyond its traditional energy resource supply countries and forge new relations or review age old relations with countries of different continents for an uninterrupted supply of energy resources. Apart from the importance it places on West Asia and Central Asian countries for its energy supply, India perceives its Africa policy and "Look East Policy", as two arms of its efforts to establish new regional grouping in the Indian Ocean.

### **South Korea's Foreign Policy**

Many factors influenced united Korea's and divided South Korea's foreign policy such as the external environment dominated by major powers and the competition among them to rein over Korean peninsula, the North and South hostility in the Korean peninsula at the end of World War II and the Korean War and the which resulted in further internationalizing the Korean peninsula<sup>142</sup>. South Korea's emergence as an economic

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<sup>140</sup> India also repaired 1400 tonne Coast Guard Vessel of Mauritius, MCGS Vigilant. India had reportedly offered to transfer a maritime patrol aircraft to Seychelles. *Ibid.*, p. 281

<sup>141</sup> B.M. Antony (2008), "India-Africa Defence Cooperation: Past to the Future", p. 291

<sup>142</sup> The Korean War is the only war for which the first and only UN combat force was created with 16 UN members excluding the non-UN member South Korea (Koh, 2010: 231).

power house in the mid 90s and in the early twenty-first century influenced some changes in its traditional foreign policy. South Korea's foreign policy revolved around three major issues which were of major concern at the dawn of the new century for South Korea. The first major concern was as to how to deal with North Korea's political and security challenges; second foreign policy concern was as to how to react to the realities of rising China as a regional economic and military power; and the third concern was as to how to maintain its half century old political, economic and security alliance in the face of new challenges often rising out of first two issues. In December 1987, South Korea held a direct presidential election for the first time since 1971 and elected Roh Tae-woo as the President. This election is significant from the political angle of South Korea as well as from this research's objective point of view. That election was a watershed in South Korea's politics and this transition to democracy in South Korea occurred at the time of the diminishing Cold War and when the East-West relationship began to thaw along with the important arms control agreements signed between the US and the USSR<sup>143</sup>. The major foreign policy change was pursued by Roh Tae-woo's administration by adopting *Nordpolitik* (ND/Northern Diplomacy) to normalize and develop a relationship with former communist states. Before Roh's administration and the democratization of South Korea its foreign policy was heavily relied on the United States and ideologically grounded in anti-communism<sup>144</sup>. With the end of the Cold War, however, the new democratic government under Roh sought to expand its foreign relations. The foreign policy of *Nordpolitik* led to South Korea's establishment of full diplomatic ties with Hungary, Poland and Yugoslavia in 1989 and Czechoslovakia, Bulgaria, and Romania in 1990 before its normalization of relations with China in August 1992 and established diplomatic ties with Russia in November 1992. With the momentum going in favour of its initiatives, South Korea responded positively to North Korea's proposal for high-level talks to discuss political and military issues. After several rounds of meetings, South

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<sup>143</sup> In 1985 the accession in the Soviet Union of a liberalizing regime under Mikhail Gorbachev intensified many arms-control negotiations between the US and USSR. Number of negotiations took place under the name Strategic Arms Reduction Talks (START) and one of these efforts the intermediate-Range Nuclear Forces Treaty (INF) in 1987 committed both the superpowers to complete elimination of their stocks of intermediate and medium-range land-based missiles. See, <http://www.fpri.org/articles/2009/05/arms-control-cold-war> and <http://www.britannica.com/EBchecked/topic/35537/arms-control/252829/The-Cold-War-Soviet-and-US-led-arms-control-agreements>

<sup>144</sup> Heo, Uk and Terence Roehrig (2010), *South Korea Since 1980*, p. 132,



Korea and North Korea signed the “Agreement on Reconciliation, Nonaggression and Exchanges and Cooperation between the South and the North” in December 1991. The Roh’s administration showed more interest in improved relations with North Korea for an environment that supports peace and stability on the Korean Peninsula and to establish closer relations with the former Soviet bloc countries and China.<sup>145</sup>

At the end of 1992 Kim Young-sam, an opposition leader, was elected the first civilian president since 1960. He promised to build a “new Korea”, fight corruption and promote economic development. The Kim Yong Sam’s government did not deviate from the pragmatic foreign policy line of its predecessors. Like Roe Tae Woo, Kim visited all four powers with special interests in the Korean peninsula-the United States, Japan, Russia, and China whose leaders have all visited Seoul. The Kim Young Sam government displayed a striking measure of pragmatism in dealing with the North Korean nuclear issue-perhaps the most serious challenge to its security and foreign policy interest. Not only did it work closely with Washington and Tokyo, it accepted, albeit grudgingly, the role of bystander in the U.S.-North Korea negotiations. Had South Korea been less flexible in its policy with on Washington’s dealing with North Korea, the Agreed Framework of October 1994, which was signed between North Korea and the United States, would not have materialized<sup>146</sup>. After Kim Dae Jung took office in 1998 there were major initiatives in foreign policy in the areas of economy, foreign relations, political institutions and human rights. Historically speaking South Korea’s diplomacy had fluctuated between dependence and independence. As a united Korea, it was a vassal state of China and in the post divide of the peninsula it was heavily dependent on the US. So, the fluctuations was characterized by South Korea’s national survival with a foreign policy that was independent of influence and patronage of Chinese Kingdom in the pre-modern times or the US of today, and thus risking its survival due to outside military challenge or acquiesce to such foreign powers at the cost of its autonomy<sup>147</sup>. One of the

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<sup>145</sup> Ibid., p. 133

<sup>146</sup> Koh (2010), op cit., p. 247

<sup>147</sup> Ko, Sung-Bin (2006), “South Korea’s Search for an Independent Foreign Policy”, *Journal of Contemporary Asia*, p. 258

major foreign policy initiatives of Kim Dae Jung was his so-called Sunshine Policy lead to the summit meeting with Kim Jong Il in Pyongyang in June 2000.<sup>148</sup>

Though the conservative groups were against the policy fearing that it would not yield any fruitful results, the Kim Dae-jung government countered such argument saying that a reasonable alternative to try and gradually open North Korea to international trade and investment<sup>149</sup>. Sunshine policy showed a radical shift from South Korea's half century old antagonistic policy towards North Korea. Not just that, it also was bold initiative from South Korea, a new democratic child, to have its own independent foreign policy that suits its political conscience and consensus. The new-found excitement and confidence did bring significant changes in the relation between the North and South that reflected in the trade and investment between the two countries. South Korea's independent diplomacy and anti-American sentiment during that time projected an image that such events might even lead to the US troops withdrawal from the Korean peninsula and that South Korea would take full responsibility for its own defense.<sup>150</sup>

Again, when a North Korean official reportedly confessed to a clandestine nuclear programme in 2001, and when it resulted in a hawkish US policy toward North Korea, the progressive South Korean diplomacy under the leadership of Kim Dae Jung repeated its dilemma of whether dependent or independent diplomacy. South Korea's foreign policy in the early twenty-first century was based on three core issues as to (i) how to deal with North Korea with a new-found zeal in engaging the North (ii) how to adjust itself to the realities of a rising China and (iii) how to define its relationship with the United States amidst the consolidation and maturing of a new global order minus USSR and new challenges, which have economic dimension and thus affect the outlook of South Korea in the international arena like the one that erupted through 1997 financial crisis. The major initiative in foreign policy during the initial decade of the 21<sup>st</sup> century was Kim Dae Jung's Sunshine policy that resulted in the summit conference with Kim

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<sup>148</sup> South Korean conservative groups argued that Kim Dae-Jung's Sunshine Policy was initiated by a group of anti-US and pro-North Korean leftist elements.

<sup>149</sup> Seth, J. Michael (2011), *A History of Korea: From Antiquity to the Present*, p. 477

<sup>150</sup> Ko, Sung-Bin (2006), *op cit.*, p. 259,

Jong Il in Pyongyang in June 2000. The same year President Kim Dae Jung won Nobel Peace Prize for his initiatives for peace in the region. However, following the summit there were debates over this in South Korea. The conservatives were not confident of any real change in North Korea and. They had even argued that this was the only one in the long series of tactical moves that had led to many false starts in improved relations, such as in 1972, 1984-1985, and 1990-1991<sup>151</sup>.

But, the Sunshine policy is seen as a radical foreign policy shift from its nearly half century of hostility that is had maintained toward North Korea. It also showed the confidence that was growing in South Korea due to its economic rebound and confidence to handle a situation even in the event of a regime collapse in North Korea. However, this foreign policy shift cannot be solely seen as the radical shift or the first showcase of an independent diplomacy of South Korea that was contemplated and taken by a single leader, Kim Dae Jung. In fact, South Korea's claim for independent diplomacy was so long in the making and not something that was unprecedented in South Korea's modern history. The Sunshine Policy was built on principles that were nurtured by the leaders of South Korea, including strong anti-communist and pro-capitalist or pro US right wing authoritarian leader Park Chung-hee and democratic leader Rho Tae-woo<sup>152</sup>. The Sunshine Policy can be interpreted in such a way that the Sunshine Policy was an extension of earlier engagement policies of the above mentioned leaders such as the July 4<sup>th</sup> 1972 Communique' under the Park Chung-hee government and Roh Tae-woo's 'Nordpolitik' or Northern Diplomacy (ND).<sup>153</sup>

While the Basic Agreement<sup>154</sup> that was signed in 1992 between South Korea and North Korea under President Rho Tae-woo can be seen as a precursor to the Sunshine

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<sup>151</sup> Seth (2011), p. 477.

<sup>152</sup> p. 260, Ko, Sung-Bin (2006), "South Korea's Search for an Independent Foreign Policy".

<sup>153</sup> Called as *Bukbang jeongchaek* in Korean, Rho Tae-woo's this northern policy was referred to as *Nordpolitik*, akin to West German Chancellor Willy Brandt's *Ostpolitik* (Eastern Diplomacy) which was initiated in 1969. This signature policy of Roh Tae-woo guided the South Korean efforts to reach out to the North Korea's allies and normalize its relation with these countries to improve its own economy and pressurize North Korea to open up itself. Lee, Chae-jin (2006), *A Troubled Peace: U.S. Policies and the Two Koreas*, Maryland: The John Hopkins University Press. p. 136

<sup>154</sup> The Basic Agreement was designed to promote reconciliation and nonaggression through the work of four joint commissions: South-North economic exchange and cooperation, cultural and social exchange,

Policy, authoritarian President Park Chung-hee's "Self-Reliant National Defense" and even the subsequent short-lived nuclear challenge<sup>155</sup>. Kim Dae-jung, who was a long-time dissident leader during the military leaderships under Park and Chun Doo-hwan, initiated progressive posture of diplomacy and better inter-Korean relations. But, he was always under severe criticism from conservatives<sup>156</sup>. However, the leading elite behind the Sunshine Policy was composed of long-time dissidents who were opposed to military dictatorship and for progressive ideas for many decades.

Kim Dae-jung's successor Roh Moo-hyun's policy also followed the footsteps of that of Kim Dae-jung. During his presidential campaign, Roh Moo-hyun demonstrated independent and progressive rhetoric regarding foreign policy principles<sup>157</sup>. However, Roh's foreign policy principle and diplomatic skills underwent severe criticism. During Roh's administration South Korea's investment in the North increased and generous foreign aid was provided while the United States sought to isolate the regime. He rejected conservative critics in his own country that this had to be linked to demonstrative progress on the part of North Korea in improving its human rights record, reducing its military buildup along the border, working toward denuclearization, carrying out substantial economic reforms, and allowing more family reunifications. While there was little progress in these areas, Roh went ahead with a second summit meeting in Pyongyang in October 2007. Roh Moo-hyun and Kim Jong Il agreed on the construction of two shipyards in the North; on improvements in North Korea's railway system, which would make future rail links between South Korea and China easier; and to work toward more joint representations at international events.

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reconciliation, and military affairs. However, the North Korean nuclear issue that erupted in late 1992 had halted progress of the Agreement.

<sup>155</sup> South Korea under Park's regime began a nuclear weapons program in 1970. Following the American troops withdrawal it established a Weapons Exploitation Committee. However, under pressure from the U.S., South Korea ratified the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in 1975 and ended the nuclear weapon program. See, <http://www.globalsecurity.org/wmd/world/rok/> and Hayes Peter (2011), "Park Chung-hee, the CIA and the Bomb", 17 October 2011, <http://www.eastasiaforum.org/2011/10/17/park-chung-hee-the-cia-and-the-bomb/> ) can also be seen as a self-consciously motivated dream of having an independent national security and foreign policy (p.260, Ko Sung-Bin

<sup>156</sup> But, a self-reliant nuclear policy of Park Chung-hee and Nordpolitik of Roh Tae-woo were never challenged during their military rule

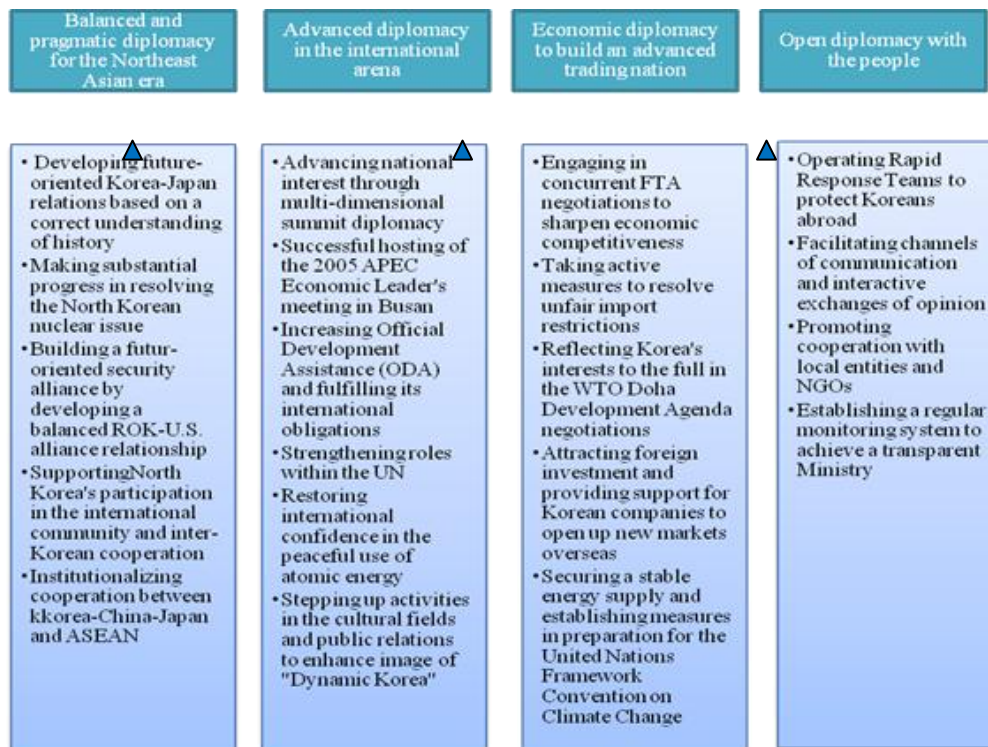
<sup>157</sup> During the campaign, he stated "I do not want to visit the US merely to be photographed" hinting that his administration will also follow an independent foreign policy and not be a puppet to the U.S.

## Trends in Foreign Policies of India and South Korea

Roh' government faced a difficult task of resolving many foreign policy issues such as: Peaceful resolution of the North Korean nuclear issue; strengthening South Korea-US alliance; resolving existing bilateral issues on the understanding of history and future-oriented Korea-Japan relations; expressing its views in the process of the reform of the UN Security Council and an foreign economic policy to boost and advanced trade policy for a new engine of growth. Based on its guiding vision of "Toward the World and Future: Together with the People", the Ministry of Foreign Affairs and Trade set four major objectives to realize the below mentioned goals<sup>158</sup>.

- Balanced and pragmatic diplomacy for the Northeast Asian era
- Advanced diplomacy in the international arena
- Economic diplomacy to build an advanced trading nation
- Open diplomacy with the people
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**Figure 2.2 - South Korea's Characteristics of Diplomacy**



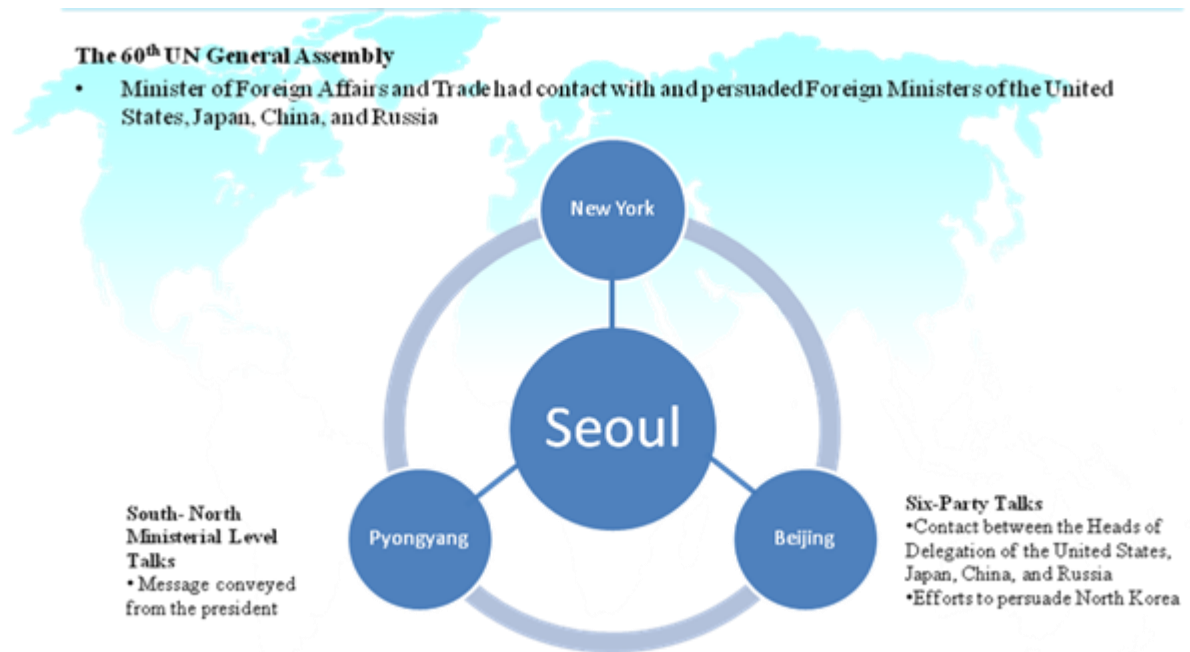
Source: Diplomatic White Paper 2006, p. 24.

<sup>158</sup> Korea's Foreign Policy 2005, Diplomatic White Paper, p. 23.

### Balanced and Pragmatic Diplomacy for the Northeast Asian Era

South Korea aimed at creating a new era of peace and prosperity in Northeast Asia based on the peaceful resolution of the North Korean nuclear issues and establishing peace and prosperity in the Korean Peninsula. South Korea played a leading role in the adoption of the September 19 Joint Statement at the Six-Party Talks in September 2005. It had also exerted various efforts for the development of a future-oriented South Korea-U.S. alliance, building future-oriented South Korea-Japan relations based on a correct understanding of history and institutionalizing cooperation among Korea-China-Japan and ASEAN. South Korea also exerted focused diplomatic efforts to promote inter-Korean relations through exchanges and cooperation and support North Korea's participation in the international community. This clearly showed a continuity of Kim Dae-Jung's "Sunshine Policy".

**Figure 2.3 - Diplomatic Channels Linking Seoul-Beijing-New York-Pyongyang**



Source: Diplomatic White Paper 2006, p.36

President Roh Moo-Hyun enhanced mutual understanding on pressing challenges concerning South Korea-U.S. alliance and facilitated the negotiation process for the North Korean nuclear issue. When, the President of the U.S., Bush visited South Korea

to attend the APEC Economic Leaders' Meeting in Busan, both leaders signed the "Gyeongju Declaration"<sup>159</sup> at a South Korea-U.S. summit meeting in Gyeongju in November 2005. This Joint Declaration was seen as a significant milestone for a more comprehensive, dynamic and mutually beneficial South Korea-U.S. relationship. It is important to note that in February 2005, the two governments made a decision to fully address the strategic flexibility of U.S. forces in South Korea. After several consultations, both countries reached an agreement as stipulated in the Joint Statement of the South Korea-U.S. ministerial-level strategic dialogue:

- The Republic of Korea, as an ally, fully understands the rationale for the transformation of the United States global military strategy, and respects the necessity for strategic flexibility of U.S. forces in South Korea.
- In the implementation of strategic flexibility, the United States respects South Korea's position that it shall not be involved in a regional conflict in Northeast Asia against the will of the Korean people<sup>160</sup>.

The legacy of Kim Dae'jung and Roh Moo-hyun's sunshine policy faced a setback after the inauguration of President Lee Myung-bak, who was a critic of the Sunshine Policy, in 2008. He made public comments critical of the North Korean human rights record, its failures at reform, and its military-first policies. This in turn resulted in angry and threatening responses from Pyongyang. Nevertheless, the trade between the two countries continued to slowly expand.

### **South Korea's policy on US**

South Korea has always been a trusted ally of the United States, which intervened on the Korean Peninsula during the Korean War in support of the South and repelled the North Korean takeover of South Korea. Over 33,000 U.S. troops were killed and over 100,000 were wounded during the three-year conflict. Since then the relation between South Korea and the U.S. has gone from strength to strength. South Korea is the United State's

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<sup>159</sup> This is a Joint Declaration on South Korea-U.S. alliance and Peace on the Korean Peninsula.

<sup>160</sup> It was subsequently reported that South Korea retained the right to veto the deployment of US forces based in South Korea for operation off the peninsula. (Snyder, Scott, 2010: 16)

United State's sixth-largest trading partner in turn the United States is South Korea's second-largest trading partner.

South Korea, as a middle power considers, its relationship with the United States very significant compared to China or Japan. There are several reasons for this. First, the United States has been a robust partner for South Korea during the entire Cold War period. Through its partnership with the United States, South Korea achieved economic development and democratisation, along with security guarantee vis-a-vis North Korea. Second, South Korea has no negatives in its historical relationship with the United States compared to its long history of invasion and victimisation by neighbouring China and Japan<sup>161</sup>. This historical legacy has also left ongoing territory disputes with China and Japan. Given these rationales, South Korea's foreign policy history shows its eagerness to strive to create a refined and developed relationship with the United States while aiming to maintain a strategically favorable position in North East Asia.

Dealing with North Korea has been the dominant strategic element of the relation between the U.S. and South Korea. Since 2009, South Korea- U.S. collaboration over the North Korean issue has been extremely close, after several years in which both the countries frequently had competing visions on the issue. South Korea and the U.S. adopted a joint approach which is often called the "strategic patience", which has four main components<sup>162</sup>:

- Keeping the door open to Six-Party Talks<sup>163</sup> over North Korea's nuclear programme but refusing to re-start them without North Korea's assurance that it would take "irreversible steps" to denuclearize

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<sup>161</sup> Kim, Hyun-wook (2011), "Obama's East Asia Policy and US-South Korea Relations", in in Tyler, Melissa Conley and Wilhelm Hofmeister, *Going Global: Australia, Brazil, Indonesia, Korea and South Africa in International Affairs*, Singapore: Konrad-Adenauer-Stiftung. p. 73.

<sup>162</sup> Manyin, E. Mark (2014), "U.S.-South Korea Relations", Congressional Research Service, <https://www.fas.org/sgp/crs/row/R41481.pdf> , P. 9.

<sup>163</sup> Six Party Talks was an initiative to resolve the North Korean nuclear issue. This body consists of two Koreas, the United States, Japan, Russia and China. The talks were effectively taking place between 2003 and 2008



- Insisting that Six-Party Talks/or U.S.-North Korean talks must be preceded by North-South Korean talks on denuclearization and improvements in North-South Korean relations;
- Gradually attempting to alter China's strategic assessment of North Korea; and
- Responding to North Korea's provocations by tightening sanctions against North Korean entities and conducting a series of military exercises<sup>164</sup>.

The joint U.S.-South Korea approach combines elements of engagement and pressure.

### **South Korea's Policy towards North Korea and Relation with the US**

From the very inception of two States in one nation on the Peninsula the relationships of South and North Korea has deeply entrenched in the politics of the Cold War. The politics of the Korean Peninsula got very specific characteristics that involved the U.S. as a key player along with the USSR and China. But the U.S. presence continued even after the withdrawal of Chinese and USSR troops from the peninsula. The end of the Cold War at the global level heralded the beginning of a new era in the international policy. The inter-Korean relation has not been restructured in any significant manner in the aftermath of the Cold War. In the threshold of emerging post-cold War order, South Korean president Roh Tae Woo made a series of policy declaration to ease the persistent tension on the peninsula due to a hostile relationship between the South and North. On 13 December 1991, an agreement on reconciliation, Non-aggression and Exchanges and Cooperation, was signed and the same was ratified in February 1992, which was named as Basic Agreement. Another agreement of 'Joint Declaration' on the Democratization of the Korean Peninsula was concluded on 31<sup>st</sup> December. However, a sharp difference in the position of both sides remained unsolved regarding the course of reunification process. The aforesaid improvements in the inter-Korean relations from 1988 to 1992 and emergence of a mature understanding got thwarted in 1992 due to the North Korean nuclear issue.

The diplomatic and military impose was finally broken on 15 June by visit of ex-president Jimmy Carter to North Korea which culminated in Agreed Framework in 21

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<sup>164</sup> Manyin (2014), op. cit. p. 9

October, 1994. However, a large section of South Korea was not happy with improvement in the US-North Korea relations. It was perceived to be symbolic of dilution of American commitment to the U.S.- South Korean alliance. Although South Korea was worried about the North Korea's missile programme and export of missile technology and missile to other countries, it did not insist on a policy of confrontation. Rather South Korea preferred a policy of engagement with North Korea to address the North's threat perception. The policy of engagement followed by Kim Dae Jung administration resulted in a Summit Meet between the leaders of North and South Korea in Pyongyang in June 2000. However, the North-South relations after the September terrorist attack on the U.S. and the second nuclear crisis in 2002 remained in a stalemated state, and the environment of reconciliation and cooperation that was created by the Korean Summit has not been maintained. Through, there was some positive progress due to efforts at Six-Party Talks level, North Korea's nuclear tests in 2006 and 2009 had brought these efforts to a standstill and there is a state of stalemate in the inter-Korean relations. South Korea's policy towards the North and its policy on unification have attracted some discomfort in its relation with its traditional ally U.S. At the heart of the differences between South Korea and the U.S. is the Korean unification policy. Even if the South Korean government is pragmatic about not trying to unify the peninsula as soon as possible, while recognizing the value of maintaining and stabilizing the division, it has never shown any sign of giving up the goal of unification. Without exception, presidents of South Korea have always said that unification is the mission they intend to accomplish, emphasizing the policy in their inaugural addresses.<sup>165</sup>

South Korea's engagement policy toward the North came in to being over 40 years ago through different administrations in as many years starting from Park Chung-hee's period. President Park's June 23, 1973, Declaration was followed by the Formula for National Reconciliation and Democratic Unification of Chun Doo-whan in 1982, the Korean National Community Unification Formula of Roh Tae-woo in 1989, the National

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<sup>165</sup> These thinking on unification goes way back before the start of nuclear issues and so such thinking was not intended either to resolve nuclear issues on the Korean Peninsula or for regime change in the North. Bae, Jong-Yun (2010), "South Korean Strategic Thinking Toward North Korea: The Evolution of the Engagement Policy and Its Impact upon U.S.-ROK Relations", p. 340

Community Unification Formula of Kim Young Sam in 1994, the Sunshine Policy or “Reconciliation and Cooperation Policy” of Kim Dae-jung, the “Peace and Prosperity Policy” of Roh Moo-hyun, and the “Mutual Benefits and Common Prosperity Policy” of Lee Myung-bak. All these policies of different presidents were marked by the emphasis on peaceful coexistence, reconciliation, and cooperation with the North<sup>166</sup>. Bae (2010) opines that the names of the policies have changed, but the basic theme of engagement has been kept by both conservative and progressive regimes in South Korea. And it should be noted that despite then President Lee’s transition team to integrate the Ministry of Unification with the Ministry of Foreign Affairs in January 2008, the former, in charge of all matters related to Korean unification and inter-Korean relations, is still operating in the Lee administration. Regarding these approaches, most of Washington, including George W. Bush, had little sympathy with the Sunshine Policy, especially for peacefully solving North Korean nuclear issues.<sup>167</sup>

Even policy makers of the U.S. Congress have negative attitudes. The report “Congressional Attitudes on the Future of the U.S.-South Korea Relationship” states, “On a bipartisan basis, those interviewed were very skeptical of South Korean policy toward North Korea, including the Sunshine Policy and subsequent ROK efforts to engage North Korea”<sup>168</sup>. South Korea’s engagement policies were viewed, especially from the U.S. conservative circle, as too generous which can catapult with dangerous consequences as North Korea may not respond with the same sense of reciprocity. The South Korean policy of engagement was in a way the hall mark of during the first decade of the dawn of the twenty-first century. As a matter of fact, these administrations were not rewarding the North for its assurance of transformation rather they were closely engaged with the North with a positive approach toward a peaceful reunification. “Self-reliance in National Defense” or “Balancer in Northeast Asia,” which were chosen by Roh Moo-hyun as role concepts in security issues including the North Korean nuclear crisis and such posture

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<sup>166</sup> Ibid, pl 341

<sup>167</sup> Victor Cha (2003), “Why We Must Pursue “Hawk Engagement”

<sup>168</sup> Bae, Jong-Yun (2010), op cit., p. 341.

which was started by his predecessor Kim Dae-Jung was seen to be causing discomfort in South Korea-U.S. relations.<sup>169</sup>

Yet, the fact is that divisions over North Korean policy between the U.S. and South Korea also existed in the Kim Young Sam period during the first North Korean nuclear crisis. During Kim Dae-jung period, there was meaningful policy cooperation with the Clinton administration<sup>170</sup>. However might be the close relation enjoyed by both countries, in the early period of Kim's Sunshine Policy raised doubts in the U.S. that were only overcome with the final report of the Perry Process in 1999 that put Clinton behind testing whether engagement would work. Though Roh Moo-hyun's government was thought of seemingly becoming independent in foreign policy making and drifting from the U.S. policy views on the peninsula matters, his government joined the agreement in the Six-Party Talks on February 13, 2007, after cooperating with the U.S. to make it possible<sup>171</sup>. The two camps in South Korea do not agree on policies toward North Korea or the U.S., but they are not far apart on the need to stick to the path of engagement.

So what appears the ground reality is that at the core of this overall consensus is strategic thinking that opens the door to North Korea while visualizing reunification as a gradual process in a regional context and one of the key elements of this strategic consensus is maintaining the alliance with the U.S intact<sup>172</sup>. So, although there have been differences on the ways to deal with North Korea, the South remains committed to an alliance relationship with the U.S. which reinforced by the strategic thinking of stability in the region through strong cooperation in the peninsula.

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<sup>169</sup> Ibid.

<sup>170</sup> Then Secretary of State Madeleine Albright visited North Korea and signed the U.S.-North Korea Joint Communiqué in October 2000.

<sup>171</sup> But, many South Korean conservatives were skeptical that the North would meet its promises and wondered if Bush might be backing down because of his troubles elsewhere (Bae, 2010: 343).

<sup>172</sup> Even Roh Moo-hyun, who was elected amid anti-American sentiment in 2002, recognized this reality when he dispatched the Korean army to Iraq at Bush's request. Roh also agreed to the U.S.-Korea Free Trade Agreement (FTA) in April 2007 and acceded after the U.S. Congress insisted on changes at the end of June (Bae, 2010:343).

### Changes in unification preferences

In general, the scenarios of unification for the Korean Peninsula can be divided into four types: (1) unification by absorption, similar to the German case; (2) unification by force, as occurred in the Vietnamese case; (3) unification by consensus; and (4) unification by trusteeship (Bae, 2010: 344). , which the South as well as the North would likely reject in light of bad memories of the trusteeships administered by the U.S. and Soviet Union from 1945. The first two scenarios seemed to be a silver lining, if not a better option, amid peninsular issues especially in the nuclear crisis in the 1990s. Among the other scenarios, the first two had some possibilities for the South in the 1990s. At the peak of the first nuclear crisis in 1994 the option of preemptive attack and subsequent unification was on the card. However, due to Jimmy Carter's effort and the resulting 1994 Agreed Framework erased this option. Another scenario of North Korea's collapse and absorption by South Korea was seen to be imminent but towards the later part of the 1990s even the first option of unification by absorption seemed fruitless as South Korea itself was in a financial crisis and rescued by International Monetary Fund's bailout package in 1997-1998<sup>173</sup>. While the fourth option would not become a reality given the historical memories of such trusteeship during the formative period of the independent Korean peninsula, the third option is still considered the only option due to strategic thinking in the South Korean camp for they are committed to Korean unification by consensus.

So, North Korea was considered in South Korea's strategic vision as a country to cooperate through gradual engagement. During Kim Dae-Jung and Roh Moo-hyun's tenures it was considered beneficial to pursue cooperation through mutualism that emphasize on coexistence and cooperation and thus economic assistance to the North and developing North as an investment destination became part of the Southern strategic vision (Bae, 2010). But, the changing regional and global scenario when Lee Myung-Bak took office and the challenges before him to revive South Korea's relation with the U.S. and build a stronger Korean economy in the wake of financial crisis of 2008 made him

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<sup>173</sup> Though the financial burdens of German unification surpasses South Korea's ability to play such a role in the Korean Peninsula, the potential cost to South Korea of unification was estimated to be running as high as \$2.2 trillion at that time. (Olsen, 2002: 110).

keep a distance from proactive policies towards North Korea. His approach towards the North Was more of economics based rather than considering political and cultural aspects of the inter-Korean relation.<sup>174</sup> However, the basis in South Korea's policy towards the North and reunification is to through engagement and consensus. Not preferring the collapse of the North and stability in the Northeast region gives more room to talk and generate consensus between the two countries which is the core policy of South Korea irrespective of the administrations in power.

### **South Korea's policy on China**

South Korea's relation with China was marked by animosity, due to the bitter Korean war fought between the United Nation's forces and China. However, the end of Cold war changed the way world conducted its relation with each other. The *Nordpolitik* in the late 1980s initiated by South Korea resulted in normalization of its diplomatic relation with China in 1992. Since then their relation have gone from strength to strength starting from the Friendship and Cooperative Relationship in 1992 to South Korea-China Collaborative Partnership for the 21<sup>st</sup> Century in 1998, Comprehensive Cooperative Patnership in 2003, and in 2008 through a visit to China by South Korean President Myung Bak Lee and joint proclamation by him and Chinese President Hu Jintao regarding the Strategic Cooperative Partnership (Hwang, 2010).

In the 21st Century, the world "rising China was the most used words by the geopolitical strategist and academia. Many international politics experts and political scientists predict that Chinese economy will be the top-ranked in the world by 2030 it would be poised as a global power challenging the US hegemony in international politics (Kim, Heungkyu, 2011). China's economic performance has been remarkable from the late 1970s to the present, with an average annual growth of 10 percent per cent. This record exceeds Japan's and Korea's 'economic miracles' of past decades. By 2020, compared to other newly-developing states like India and Brazil, the size and potential of

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<sup>174</sup> In his inauguration, Lee Myung-bak proposed the concept of "a new horizon in inter-Korean cooperation" and a goal to raise the per capita income of North Korea from \$1,065 to \$3,000 within 10 years (Bae, 2010)

the Chinese economy is predicted to be attractive to foreign investors<sup>175</sup>. According to the grand strategy for economic development addressed in the 15th Party Congress in 1997, China's target was US \$ 12,800 per capita by 2050 for the completion of modernisation in the 100th anniversary of the establishment of People's Republic of China<sup>176</sup>. Along with its economic rise, strategic ideas in China have also evolved and diversified. The characteristic of China's foreign policy during the Jiang Zemin era (1989-2002) is best described by the "hide capacities and bide time" principle<sup>177</sup>, the core idea of the 'developing country diplomacy school.'

However, reflecting China's growing national capacity, the strategic policy during the Hu Jintao era (2002-2012) had gradually changed into an attitude of "being able to accomplish something," the main idea of the 'newly rising to great power diplomacy school. China under Hu Jintao took a more active foreign policy in pursuit of status as a 'great power' and It added the principle of 'co-operation' while emphasizing the previous two mottos of 'peace' and 'development from Jiang's era'<sup>178</sup>. When the second North Korean nuclear crisis occurred at an early stage of Hu's succession to power, Hu's China rejected the previous position of 'hesitant intervention' in external matters. Instead, it took up a more active role as a mediator and established a solid international image as a 'responsible great power' by successfully launching the Six-Party Talks. The pragmatic approach and the pursuit of a more active international role naturally led China to a strategic re-evaluation of the two Koreas under Hu Jintao. Under Hu's leadership China had worked on transforming the relationship with North Korea from 'a special

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<sup>175</sup> As per the grand strategy for economic development, China's target was \$ 12,800 per capita by 2050 which will mark the completion of modernization in the 100<sup>th</sup> anniversary of the establishment of People's Republic of China (Kim, Heungkyu (2011: 57).

<sup>176</sup> Ibid

<sup>177</sup> The phrase "keep a low profile" in the context of China's diplomatic policy was used by Deng Xiaoping in the 1980s as part of a famous description of China's foreign policy. In the early 1990s, Deng set out a plan for Chinese growth that could be expressed in only 24 Chinese characters. In English: "Observe calmly; secure our position; cope with affairs calmly; hide our capacities; bide our time; be good at maintaining a low profile; never claim leadership." Read, <http://www.nydailynews.com/opinion/deng-xiaoping-architect-china-rise-defined-decade-article-1.475194>

<sup>178</sup> Kim (2011), op cit., p. 58.

relationship' to 'a normal state-to-state relationship', while still appreciating the strategic value of North Korea<sup>179</sup>.

South Korea's economic equation with China played a vital role in its relation with the latter. The trade relation between China and South Korea grew faster within two decades of normalization of relation. Total trade between South Korea and China reached nearly \$41 billion in 2002 from \$6 billion in 1992 which touched a whopping \$212 billion in 2012 (Roehrig, 2014: 81). South Korea has been building its military relation with China also gradually. The fact of North Korea's alliance with China played an important role in South Korea's closer engagement with China to use its leverage on the North to turn things in favour of South Korea for the peaceful resolution of issues related to the Korean peninsula. China established a 'strategic cooperative partnership' with South Korea in 2008, opening a political space to deal with North Korean issues at the bilateral level between South Korea and China<sup>180</sup>.

The complex situation in the Korean peninsula makes South Korea's foreign policy more complicated and multi-dimensional. South Korea is surrounded by North Korea with nuclear ability, China with ambivalent relation with the North and support the latter's regime survival, and Japan with territorial disputes. These economic and security considerations make South Korea to seek co-operation from neighbouring countries. South Korea's independent policy of inching closer to the North resulted in discomfort in South Korea-U.S. relations in the late 1990s and early 2000s. South Korea's shifting of focus through economic engagement and stronger dependence on China's market also makes South Korea tilting towards China at least in economic aspect which has a huge bearing on other foreign policy goals. South Korea's support for China was also relevant to transforming the six-party framework into a regional security forum and establishing a peace regime on the Korean peninsula along a strengthened bilateral alliance with the United States. Such a complicated situation posed great challenge for South Korea to constantly prepare for the future transformation of regional politics, in particular China's

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<sup>179</sup> Kim (2010), "Evolving China's Foreign Policy in Northeast Asia under Hu Jintao's Leadership and Implications to Korea-China Relations", at <https://asiafoundation.org/resources/pdfs/1.KIMHeungKyuu.pdf>, p. 3.

<sup>180</sup> However, ambivalent attitudes regarding the Korean peninsula in Chinese foreign policy complicated the Chinese objectives, laid out specifically in a mixture of strategic and short-term interests.



policy towards the Korean peninsula and be able to respond to it accordingly. Without such dynamic policy preparation, it poses as a foreign policy challenge that threatens South Korea of a failure to use a crisis on the peninsula as an opportunity for a positive outcome (Kim, 2011). South Korea's successful relation with China over the years, with economic dimension contributing to the phenomenon, has resulted in tackling the Korean peninsula issues by involving China in the peace process. South Korea's economic partnership with China is aimed to be transformed in to a strategic partnership in the security front as well and to resolve the unification issue with the help of other neighbours.

### **South Korea's policy on West Asian Arab Countries and Israel**

South Korea's test of foreign policy came through its relations with Israel. Though South Korea's relation with the Arab West Asian countries flourished, its relationship with Israel was becoming more complicated. Israel established formal diplomatic relations with South Korea in 1961<sup>181</sup>; however this did not grow strongly due to the region's political issues. The oil embargo in the mid-1970s, the Arab boycott on any company that forged trade relations with Israel increased South Korea's risk of jeopardizing its energy supply and economic growth which resulted in South Korea's abstinence from maintaining diplomatic and economic relations with Israel.

**Table. 2.2 - South Korea's Total Trade with Israel 1980-1994**

<b>State</b>	<b>1980-1984</b>	<b>1985-1989</b>	<b>1990-1994</b>
<b>Israel</b>	131	32	674

Source: Levkowitz, Alon (2012), "Korea and the Middle East Turmoil: A Reassessment of South Korea-Middle East Relations, p. 230

South Korea's West Asia policy of that time was reflected and conveyed through a government statement in December 1973 which stated

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<sup>181</sup> Israel was one of the first countries to establish diplomatic relations with South Korea. Israeli Prime Minister David Ben-Gurion favoured sending defense force of Israel in support of South Korea during Korean War, but instead provided food and medical supplies worth \$ 100,000 and also played an active role in the UN to end the Korean War (Roehrig, 2014: 158)

## Trends in Foreign Policies of India and South Korea

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- International conflicts should be resolved only through peaceful negotiation and not through any means of force and any acquisition of territory by force should not be tolerated.
- For the settlement of the conflict Israel should withdraw its troops from the Arab territories that the Jewish state occupied during the 1967 war
- The fair claim of the national rights of the Palestine people should be respected and acknowledged
- Sovereignty, independence, territorial integrity and right to live in peaceful manner of all the countries of West Asia should be respected

This Korean government statement which per se is its foreign policy direction for West ASIA of that time had resulted in fetching South Korea 90 percent oil supply and many construction projects from Arab West Asian states<sup>182</sup>. In 1978, Israel closed its embassy in South Korea as the latter was supporting Palestine in the wake of 1973 oil crisis<sup>183</sup>. The relation between Israel and South Korea improved to a level that Israel opened its embassy in Seoul in 1992 which was reciprocated by South Korea a year later. Series of events helped for this to happen. This change of approach can be attributed to the following factors;

- South Korea's search for alternative markets as the Gulf War devastated the economies of the Arab oil empires.
- South and North Korea's membership to the United Nation in 1991.
- Pressure from the U.S to improve its ties with Israel

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<sup>182</sup> P.9, *Israel-South Korea Relations: Republic of Korea's complicity in Israel's occupation, colonialism and Apartheid*, Palastine Peace and Solidarity, Seoul, <http://pal.or.kr/data/Israel-South-Korea-Relations.pdf> and Gatav Oyunbileg (2014), *Foreign Policy of Developmental State: South Korean Foreign Policy Role During the First Oil Crisis*, Kookmin University, Seoul, p. 8, [http://www.gdn.int/admin/uploads/editor/files/Best%20Submission%20Woman%20Researcher\\_104\\_Oyunbileg%20Gatav.pdf](http://www.gdn.int/admin/uploads/editor/files/Best%20Submission%20Woman%20Researcher_104_Oyunbileg%20Gatav.pdf)

<sup>183</sup> Israel asked South Korea to open an embassy in Israel which was turned down by South Korea.

## Trends in Foreign Policies of India and South Korea

- End of boycotts against Israel by Saudi Arabia, Kuwait and other Gulf states<sup>184</sup>.  
The reinvigoration in the ties between South Korea and Israel was also aided by the progress made in relation between Israel and Palestine through Oslo Accords<sup>185</sup>.

**Table 2.3 - South Korea's Total Trade with Israel and Arab West Asian Countries 1992-2012 (in million US\$)**

Country	1992	2012
<b>Israel</b>	195.6	2,393.6
<b>Iran</b>	1,625.9	14,801.0
<b>Iraq</b>	15.0	12,093.5
<b>Kuwait</b>	640.8	19,881.3
<b>Libya</b>	170.9	1,828.6
<b>Oman</b>	1,383.1	6,229.3
<b>Qatar</b>	375.0	26,234.6
<b>Saudi Arabia</b>	4,738.4	48,819
<b>United Arab Emirates</b>	2,088.8	21,977.0
<b>TOTAL</b>	11,233.5	154,258.0

Source: Heo Uk, Terence Roehrig (2014), p. 156

So, South Korea's policy towards this region made sure that its economic interest is not in jeopardy in any political turmoil in the region. Even during the Iran-Iraq war and Gulf Wars, Korea wanted to make sure that its trade relations with conflicting countries continue without any hiccups. During the first Gulf War in 1990 South Korea's policy was a dilemma whether to comply with U.S. request to send military forces against Iraq by joining the collective security action by the United Nations Security Council (UNSC) which would have reminded it of the situation during the Korean War in 1950 in which the U.S. fought for South Korea. South Korea's dilemma was if it would join the combat would it antagonize the Arab world for taking sides politically and eventually affect its trade relations with Arab West Asian states. But the overwhelming global support to the UN forces, South Korea decided to send its forces to the Persian Gulf. However, it send 341 soldiers for logistic assistance and not to participate in combat for it would save its

<sup>184</sup>, Heo Uk, Terence Roehrig (2014), p. 158

<sup>185</sup> Oslo accords signed in 1993 and 1995 and the following ease of tension between Arab West Asian states and Israel paved way for South Korea to shed off its fear of Arab world employing the boycott in the event of improved relations with Israel

face as a “relatively ideal neutral” country.<sup>186</sup> Another foreign policy challenge to South Korea for the West Asian region came in the form of U.S. invasion of Iraq in 2003, but unlike the 1991 Gulf War the international legitimacy was limited in this U.S. war on Iraq. South Korea was in a catch 22 situation. The growing anti-American public sentiment<sup>187</sup> within South Korea and the limited legitimacy of the war on Iraq had put South Korea in a fix. However, given the situation that President Roh Moo Hyun posed an image that he would be more assertive with the United States concerning alliance issues and resolve North Korean nuclear issue through dialogue sending troops to Iraq seemed to pose a threat to U.S.- South Korea alliance. However, South Korea dispatched 3,500 soldiers<sup>188</sup>, the Zaytun Division, to non-combat zoned in Irbil and Krkuk.<sup>189</sup>

In the wake of West Asia and North Africa crisis, the new surge of democratization that began with Tunisia’s Jasmine Revolution in December 2010, which resulted in its spread across Egypt, Yemen, Libya and Syria, which ensued the so-called Arab Spring, South Korea’s policy was to maintain the status-quo as far as the economic activity is concerned. The ‘Arab-Spring’ not only threatened the very security of thousands of South Korean workers<sup>190</sup> in the region, but also the prospects of the Korean construction companies that were based in West Asia and North Africa especially in Libya. Libya is a major business partner to South Korea and the South Korean companies accounted for one-third of all foreign business in Libya in 2011 according to the Korea Trade Promotion Agency (KOTRA), working on projects with \$36.4 billion. In such a grave situation, South Korea recognized the Libyan rebels’ National Transitional Council

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<sup>186</sup> p.11, Levkowitz, Alon (2013), “South Korea’s Middle East Policy”, *Mideast Security and Policy Studies*, 106: pp. 1-32

<sup>187</sup> A U.S. Army armoured vehicle-launched bridge struck and killed two 14-year-old South Korean schoolgirls, Shin Hyo-sun and Shim Mi-seon on June 13, 2002 and in the following court martial trial the American soldiers involved in the act were found not guilty of negligent homicide which inflamed anti-American sentiment in South Korea.

<sup>188</sup> This was the third largest foreign force in Iraq after the U.S. (192,000) and the United Kingdom (45,000). See, A Timeline of Iraq War, Troop Levels, [http://www.huffingtonpost.com/2008/04/07/a-timeline-of-iraq-war-tr\\_n\\_95534.html](http://www.huffingtonpost.com/2008/04/07/a-timeline-of-iraq-war-tr_n_95534.html) and “Great Britain and the International Coalition in Iraq”, <http://www.heritage.org/research/lecture/great-britain-and-the-international-coalition-in-iraq>

<sup>189</sup> Levkowitz, Alon (2013), op cit., p.11,

<sup>190</sup> The South Korean government took all the efforts to protect overseas Korean by evacuating 1400 workers working on 300 different building sites and rescuing crew members of the ‘Samho Dream’ Vessel, conducting the emergency evacuation of its nationals from Egypt and Libya.

(NTC) as “the legitimate governing authority representing the Libyan people”<sup>191</sup>. South Korea was also concerned about the ensuing impacts the region and its implications on the cost of regional oil supply which drove it to have a contingency plan for its oil supply by considering importing oil from unaffected countries of West Asian, Central Asian states, or even Russia.<sup>192</sup>

Though there was high voltage concerns on the stability in West Asia caused by the ‘Arab Spring’, the same did not prevent the Korean companies from adventuring for more projects in West Asia. KOTRA’s estimation of South Korea’s share of reconstruction as high as \$40 billion given the market share Korean firms had at that point of time was a boost for South Korean government to take appropriate diplomatic policy to favour South Korean business in the war rampaged country where the estimate the cost of rebuilding Libya was projected at a whopping \$120 billion<sup>193</sup>. The “Arab Spring” did not affect the South Korean companies securing the largest amount of orders from Saudi Arabia. In 2012, Hyundai Rotem Co. got the order to supply railcars to Egypt which was worth \$353 million, LS Cable and System won the order worth \$110 million to supply large cables in three West Asian countries Kuwait, Saudi Arabia and Qatar<sup>194</sup>, Samsung Engineering secured a whopping \$2.47 billion deal from the United Arab Emirates<sup>195</sup>, and Hyundai Engineering & Construction Co. won \$1.5 billion alumina refinery order in Saudi Arabia.

All said and done, the biggest concern for South Korea was the stability of oil and gas exporting countries within the West Asian region such as Saudi Arabia, Oman, Kuwait, and Iran as any threat to their stability would directly affect South Korea’s economic

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<sup>191</sup> in August 2011, South Korean Ministry of Foreign Affairs and Trade announced that it would deliver humanitarian aid worth \$1 million additional to \$ already been donated to the NTC through the World Food Program. See

<http://edition.cnn.com/2011/WORLD/asiapcf/08/24/libya.south.korea.construction/>

<sup>192</sup> Levkowitz (2013) p. 18,

<sup>193</sup> Paula Hancocks, “Korea States Claim in post-Ghadafi Libya”, 24 August, 2011

<http://edition.cnn.com/2011/WORLD/asiapcf/08/24/libya.south.korea.construction/>

<sup>194</sup> “LS Cable wins US\$110 mln Mideast power cable order”, URL:

<http://english.yonhapnews.co.kr/search1/2603000000.html?cid=AEN20120322001800320>

<sup>195</sup> [“Overseas construction orders to US\$30 bln in H1”],

URL:<http://english.yonhapnews.co.kr/search1/2603000000.html?cid=AEN20120701002200320>

interest as they share the major portion of oil and gas supply to South Korea<sup>196</sup>. But, given the U.S. terms with Iran any stability in this country would not have attracted U.S. intervention and further worsening South Korea's energy concerns.

### **South Korea-Iran Relations**

While balancing its ties with Israel and the Arab world, another difficult relationship is South Korea's relation with Iran. For many years Seoul and Tehran have had amicable relations with strong trade ties while also working to improve cultural exchanges. In 2012 bilateral trade was \$14.8 billion with a deficit of close to \$2.3 billion for South Korea<sup>197</sup>. Most of South Korea's imports from Iran were petroleum, and in 2011 Iran supplied 10 percent of South Korea's oil imports. South Korea is Iran's fifth largest partner, accounting for 8 percent of its trade, behind China, Japan, Turkey, and India. The robust economic links have been complicated in recent years by concerns for Iran's nuclear weapons ambitions and its possible ties to North Korea's nuclear weapons and ballistic missile programs. North Korea and Iran have had close ties since the founding of the Islamic Republic of Iran in 1979. Since that time, there has been a vigorous arms trade that includes small arms, artillery, and ballistic missiles. Pyongyang's sale of ballistic missiles began in the mid-to-late 1980s during the Iran-Iraq War.

Indeed, Iran's Shahab-3 missile bears a striking resemblance to North Korea's medium-range Nodong missile. Many have also suspected close cooperation between their nuclear weapons programs, with reports of Iranian scientists and technicians observing most North Korean missile and nuclear weapons tests. In September 2012 officials from North Korea and Iran signed a scientific cooperation agreement that raised eyebrows, in part because it was eerily similar to a 2002 pact concluded between North Korea and Syria. According to a FARS news agency report, Iran's Supreme Leader Ayatollah Ali Khamenei told North Korea's Kim Yong-nam during a visit to Tehran, "The Islamic Republic of Iran and North Korea have common enemies since the arrogant power can't bear independent governments," no doubt a reference to the United States.

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<sup>196</sup> Also, South Korea's trade with these four countries reached \$46 billion in 2009. Levkovitz 2012, p. 10

<sup>197</sup> p. 159, Heo, Uk and Terence Roehrig (2014), *South Korea's Rise: Economic Development, Power and Foreign Relations*, Cambridge: Cambridge University Press.

However, while missile cooperation has been a relative certainty, nuclear weapons collaboration has been less clear and may be less than what many believe.

As pressure has grown to impose sanctions on both countries for their nuclear activities, South Korea has been in a tight spot concerning sanctions on Iran. In 2010 efforts increased to enforce financial sanctions on Teheran in order to restrict the resources available for its nuclear program. For South Korea, one action requested by Washington was to close Bank Mellat in Seoul, Iran's only bank in the country. It is believed that this type of facility is involved in financing Iran's nuclear program. South Korean officials feared that participation in the sanctions could provoke Iranian retaliation, including restrictions on its oil exports, which account for 10 percent of South Korea's oil imports. Others feared sanctions would hurt South Korea's chances to invest in Iran's petrochemical and construction industries. However, Daniel Pinkson, analyst with the International Crisis Group, argues "it's costly in the short run, but it's South Korea's real interest in the long run if Iran changes its nuclear proliferation behavior. It's pretty short-sighted to continue business as usual with Iran, whose policy is very destabilising in West Asia and which has had long ongoing cooperation with North Korea" (Lee, 2010).

In December 2011, President Barack Obama signed the National Defense Authorization Act into law, which included Section 1245 imposing sanctions on US and international financial institutions that conduct transactions with the Central Bank of Iran. The sanctions would restrict access to the US financial system for any offending institutions. These sanctions may be waived if the countries that host these financial institutions "significantly" reduce the amount of crude oil purchased from Iran. "Significantly" was not defined in the act but subsequent reports indicated that the US Treasury Department would require a cut of 18-20 percent. Once these reductions were made a state could receive a waiver by maintaining the reduced level of oil imports. In June 2012 Washington announced that South Korea, along with India, Malaysia, South Africa, and Turkey, among others, were granted a waiver. Earlier, Japan and ten EU

members had also been granted waivers<sup>198</sup>. The waiver must be renewed every six months and South Korea has been able to maintain its waiver since receiving the first. South Korea has been in a difficult position here, balancing its economic interests against concerns over Iran's proliferation activities and the risks to the ROK-US Alliance. The Ministry of Foreign Affairs and Trade explained, "Our government is a country that tries to fulfill all its responsibilities as a member of the international community, plans to actively participate in the efforts to find a peaceful solution to Iran's nuclear problem, and in this process will also try to keep our enterprises from being unnecessarily affected" (Roehrig, 2014: 162).

Over the last decade, South Korea and Iran have made considerable efforts to increase their bilateral trade relations despite the international pressure on Iran over its nuclear programme. In 2005, South Korea's chamber of Commerce along with Iran's Chamber of Commerce, Industries, and Mines (ICCIM) discussed in a convention in Tehran and established economic strategies in order to increase their trade and economic relations in private sectors. Amid international tension over Iran's nuclear programme, in May 2009, South Korean ministers took part in an FDI related meeting in Iran and later in September the same year, South Korea also attended the Iranian gas discussion board along with German, the United Kingdom, Japan, the Netherlands and Malaysia<sup>199</sup>. According to the latest data released by comtrade website, the volume of Korea's exports to Iran reached US\$ 4.811 billion in 2012 and the export value had risen 1.5 percent, while for the same year Iran's exports, majorly being oil, reached US\$ 6.072 billion. So the total volume of bilateral exchange between the two countries reached US\$ 10.028 in 2012 which is 3 percent more than the year 2011 (Aminifard, 2013: 17). While South Korea responds to U.S. call for action, its independent foreign policy characteristic allows the East Asian country to decide its course of economic activities and policy and act as per its convenience.

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<sup>198</sup> South Korea received its waiver because two domestic refineries – SK Innovation and Hyundai Oilbank – had reduced their import of Iranian oil by 30 percent during the first quarter of 2012 (Roehrig, 2014: 161).

<sup>199</sup> Aminifard, Abbas et al., (2014), "Challenges and Prospects for Bilateral Trade and Investment between Iran and South Korea", *International Economic Studies*, 43(02): 15-28



### Energy Trends in India

Energy security has been an inseparable issue for most of the developed and developing economies and without this it is near impossible for nations to achieve economic growth. In the era of rapidly industrializing nations the main concern has been to secure oil and gas for they play a pre-eminent role in world geopolitics. The industrial revolution altered the uses of energy in fundamental ways and expansion of industrialization across the world has urged the nations to acquire energy resources without any interruption. Within three decades world energy demand has grown by nearly 95 percent and it is estimated to grow by over 52 per cent in next two decades. Especially the demand for natural gas which is considered cleaner than petroleum oil is expected to grow by as much as 97 per cent as compared to oil's 42 per cent demand for the same period<sup>1</sup>.

India's thirst for energy has driven the country to go beyond its borders in search of energy resources and this energy security concern for a sustainable economic growth in the future has brought its security on its energy policy agenda. The formative phase of India's energy policy, the main concerns were confined to mobilize investment for exploration and production of domestic, onshore and offshore reserves. However, the growing demand for energy which outpaced its domestic production drove the country to go beyond its borders in looking for energy resources<sup>2</sup>. One direct effect that heavily came upon India was India's energy policy acquiring an external dimension i.e. India becoming susceptible to the changing dynamics of the world energy market. During the first oil crisis of 1973, India was not heavily dependent on import of crude oil or its industries were mostly relied upon coal based energy rather than petroleum based. Though the first oil crisis of 1973 certain magnitude of effect that forced India to make

<sup>1</sup> Prabhakar, Akhilesh Chandra (2004), "India's Energy Security of Supply and the Gulf", *India Quarterly: A Journal of International Affairs*, 60(3), pp. 120-171

<sup>2</sup> Pant, Girijesh (2008), *India: The Emerging Energy Player*, Dorling Kindersley: New Delhi

balance-of-payment adjustment<sup>3</sup>, instead of this crisis forcing India to energy saving, the energy consumption increased by 7% annually during the period 1973-74 to 1989-90<sup>4</sup>. India was able to adjust to the oil-shock of 1973 and 1979; however the adjustment to the first oil shock was remarkably easy<sup>5</sup> whereas the second external shock was more severe to adjust. At the time of the second oil shock in 1979, India was importing relatively a greater quantity of oil which faced supply interruption that lead to India's GDP shrinking by 5.2 percent following the oil crisis<sup>6</sup>. During the first Gulf War of 1990, the rise in the price of oil forced India to reassess energy policy parameters. It pushed India to make it necessary to have a medium to long-term energy policy perspectives to meet any future challenges from external energy supply means.

**Table 3.1 - Trends in Demand and Supply of Primary Energy** (in Mtoe#)

	1960-61	1970-71	1980-81	1990-91	2000-01	2006-07	2011-12
<b>Domestic Production of commercial energy</b>	<b>36.78</b>	<b>47.67</b>	<b>75.19</b>	<b>150.01</b>	<b>207.08</b>	<b>259.56</b>	<b>435</b>
<b>Net Imports</b>	<b>6.04</b>	<b>12.66</b>	<b>24.63</b>	<b>31.07</b>	<b>89.03</b>	<b>131.97</b>	<b>111</b>
<b>Total Commercial Energy</b>	<b>42.82</b>	<b>60.33</b>	<b>99.82</b>	<b>181.08</b>	<b>296.11</b>	<b>391.53</b>	<b>546</b>
<b>Non-Commercial Energy</b>	<b>74.38</b>	<b>86.72</b>	<b>108.48</b>	<b>122.07</b>	<b>136.64</b>	<b>147.56</b>	<b>169</b>
<b>Total Primary Energy Demand</b>	<b>117.20</b>	<b>147.05</b>	<b>208.30</b>	<b>303.15</b>	<b>432.75</b>	<b>539.09</b>	<b>715</b>

# Mtoe = million tonne of oil equivalent. Source: Eleventh Five Year Plan 2007-12, Vol. 3, p. 345

Note: (i) Domestic production of commercial energy includes coal, lignite, oil, natural gas, hydro power, nuclear power, and wind power

(ii) Net imports include coal, oil, and LNG imports

In 1992, India's Central Energy Ministry was divided into the Ministries of Coal, Petroleum and Natural Gas, Non-conventional Energy Sources, and a separate Power

<sup>3</sup> The 1971 Indo-Pak war and the first oil crisis that led India to witness oil supply cuts by foreign oil producers, exposed its vulnerability which can be perceived in the resulting 25% inflation during those hard times. p. 157, Sharma, Reetika, Ramvir Gorla et al., (2011), *India and the Dynamics of World Politics: A Book on Indian Foreign Policy*, Dorling Kindersley: New Delhi

<sup>4</sup> p. 66, Mukhopadhyay, Kakali and Debesh Chakraborty (1999), "India's Energy Consumption Changes during 1973-74 to 1989-90: An Input-Output Approach", *Journal of Applied Input-Output Analysis*, 5, pp. 51-67

<sup>5</sup> The adjustment was remarkably easy so much so that the current deficit that peaked in 1974-75 turned to a substantial surplus within two years. p.937, Ahluwalia, Montek Singh (1986), *Balance -of-Payments Adjustment in India, 1970-71 to 1983-84*, World Document, 14(8), pp. 937-962

<sup>6</sup> p.157, Sharma, Reetika, Ramvir Gorla et. al., (2011)

Ministry<sup>7</sup>. In 1999, realising the mounting pressure for a holistic energy policy framework, India spelled out its energy concerns in a report called the Hydrocarbon Vision 2025. This was prepared taking into account the energy related issue and two major actions were required to be considered brought out by this report to realize the vision: 1. Medium term (3-5 years) and 2. Long term (beyond 5 years)<sup>8</sup>. The broad vision that this report envisages is as given below i) to assure energy security by achieving self-reliance, ii) to enhance product standards for a cleaner and greener India, iii) to develop a globally competitive hydrocarbon industry, iv) to promote health competition among players and v) to ensure oil security with the view of strategic and defence consideration. As far as the main objectives of the exploration and production sector of energy sources are concerned, apart from tapping the hydrocarbon potential and optimizing production of crude oil and natural gas from Indian sedimentary basins, it aims to keep pace with technological advancement and application and be at the technological forefront in the global exploration and production industry<sup>9</sup>. The report expands its objectives and action to external policy and oil security. It clearly states in its Medium term actions to put in place a comprehensive policy to include total deregulation of overseas Exploration and Production (E&P) business and empowering them to compete with international oil companies with provision of fiscal and tax benefits.

**Table 3.2 - Vision 2025-Share of Future Energy Supply\* in India (%)**

Year	Coal	Oil	Gas	Hydel	Nuclear
1997-98	55	35	7	2	1
2001-02	50	32	15	2	1
2006-07	50	32	15	2	1
2010-11	53	30	14	2	1
2024-25	50	25	20	2	3

Hydrocarbon Vision 2025, p. 7, \* This report did not contain energy supply of renewable energy sources though the Ministry of Non-Conventional Energy Sources was established in 1992.

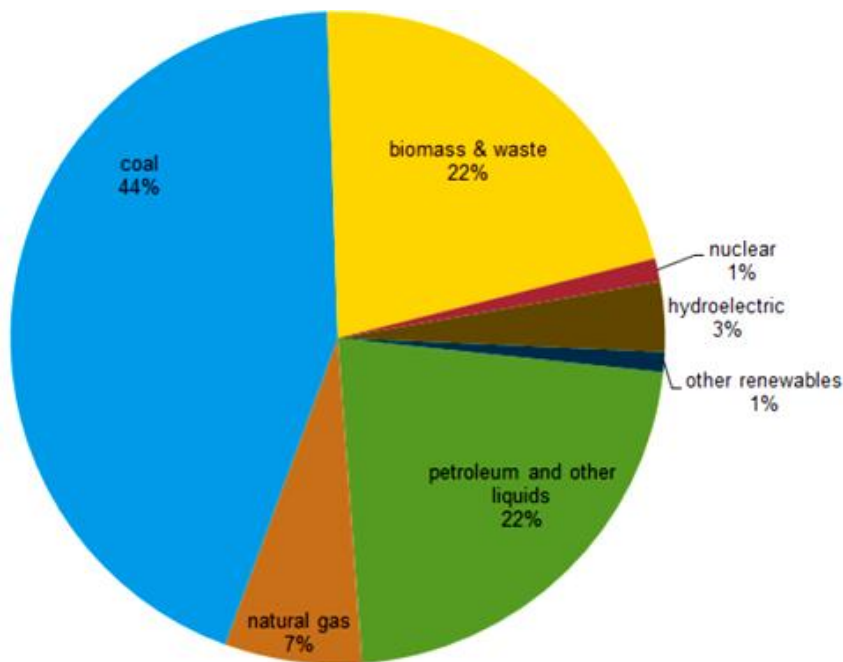
<sup>7</sup> p.172, Lall Marie (2009), *The Geopolitics of Energy in South Asia*, ISEAS Publications: Singapore

<sup>8</sup> India Hydrocarbon Vision 2025, petroleum.nic.in/docs/reports/vision.doc

<sup>9</sup> Ibid., p. 2.

The action agenda emphasizes on a focused approach for E&P projects and building strong relations in focus countries with high attractiveness like Russia, Iraq, Iran and North African countries<sup>10</sup>. The report also envisaged the share of future energy supply in India. In 2006, the Planning Commission of India brought out a draft report on 'Integrated Energy Policy' which defines energy security in a comprehensive way "We are energy secure when we can supply lifeline energy to all our citizens irrespective of their ability to pay for it as well as meet their effective demand for safe and convenient energy to satisfy their various needs at competitive prices, at all times and with a prescribed confidence level considering shocks and disruptions that can be reasonably expected"<sup>11</sup>.

**Figure 3.1 - Total Energy Consumption in India, 2012**



Source: U.S. Energy Information Administration 2012.

In the definition it is observed that energy security means insulating from shock and disruption, this clearly emphasizes on the policy and diplomacy level of intervention in procuring energy supplies from abroad sources as the shocks and disruptions are beyond

<sup>10</sup> Ibid

<sup>11</sup> p. 54, Integrated Energy Policy: Government of India-Planning Commission (2006), "Report of the Expert Committee", [http://planningcommission.nic.in/reports/genrep/rep\\_intengy.pdf](http://planningcommission.nic.in/reports/genrep/rep_intengy.pdf)

India's control as it is neither a larger oil producing country nor has any say in the international energy market to control the crisis situation. So the shocks and disruptions that can be reasonably expected, as observed in the definition, are bound to emanate from foreign domain rather than from India and thus has very little or no influence of India<sup>12</sup>.

Energy becomes a security concern when a state doesn't have access to or fails to get access to sufficient energy resources at affordable price. According to the Twelfth Plan projections, total domestic energy production will reach 669.6 million tonne of oil equivalent (MTOE) by 2016-17 and 844 MTOE by 2021-22. This will meet around 71 per cent and 69 per cent of expected energy consumption, with the balance to be met from imports, projected to be about 267.8 MTOE by 2016-17 and 375.6 MTOE by 2021-22<sup>13</sup>.

The potential for energy generation depends upon the country's natural resource endowments and the technology to harness them. India has both non-renewable reserves (coal, lignite, petroleum, and natural gas) and renewable energy sources (hydro, wind, solar, and biomass). As on 31 March 2012 India's estimated coal reserves were about 294 billion tonnes, lignite 42 billion tonnes, crude oil 760 million tonnes, and natural gas 1330 billion cubic metres (BCM). The total potential for renewable power generation as in March 2012 was 89,774 MW. The estimated reserves of non-renewable and potential from renewable energy resources change with the research and development (R&D) of new reserves and the pace of their exploration. The table 3.3 below shows the trend in production of energy by primary sources over the last four decades.

In last four decades, i.e. from 1970-71 to 2011-12, the compound annual growth rate (CAGR) of production of the primary sources of conventional energy, namely coal, lignite, crude petroleum, natural gas, and electricity (hydro and nuclear) generation, was 4.9 per cent, 6.2 per cent, 4.2 per cent, 8.7 per cent, and 4.3 per cent respectively<sup>14</sup>.

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<sup>12</sup> Pant, Girijesh (2008), op cit., p.41,

<sup>13</sup> Ministry of Finance, *Economic Survey 2013-14*, p. 193,

<sup>14</sup> Ibid.

**Table 3.3 -Trends in Production of Energy in India by Primary Sources (1970-2012)**  
(in Peta Jouls)

Year	Coal & Lignite	Crude Petroleum	Natural Gas	Electricity (Hydro & Nuclear)*	Total
1	2	3	4	5	6= 2 to 5
1970-71	1,598	286	56	996	2,936
1975-76	2,150	354	91	1,293	3,888
1980-81	2,493	440	91	1,784	4,808
1985-86	3,185	1,263	313	2,016	6,777
1990-91	4,063	1,383	693	2,800	8,939
1995-96	5,264	1,472	872	2,900	10,508
2000-01	5,727	1,358	1,135	3,286	11,506
2005-06	7,009	1,348	1,240	4,277	13,874
2006-07	7,459	1,423	1,223	4,763	14,868
2007-08	7,926	1,429	1,248	4,944	15,547
2008-09	8,476	1,403	1,265	5,133	16,277
2009-10	9,137	1,411	1,830	4,511	16,889
2010-11	9,207	1,579	2,012	5,059	17,857
2011-12(p)	9,410	1,595	1,832	5,897	18,734
<b>Growth rate of 2011-12 over 2010-11</b>	<b>2.21</b>	<b>1.01</b>	<b>-8.95</b>	<b>16.56</b>	<b>4.91</b>
<b>CAGR 1970-71 to 2011-12 (%)</b>	<b>4.31</b>	<b>4.18</b>	<b>8.66</b>	<b>4.33</b>	<b>4.51</b>

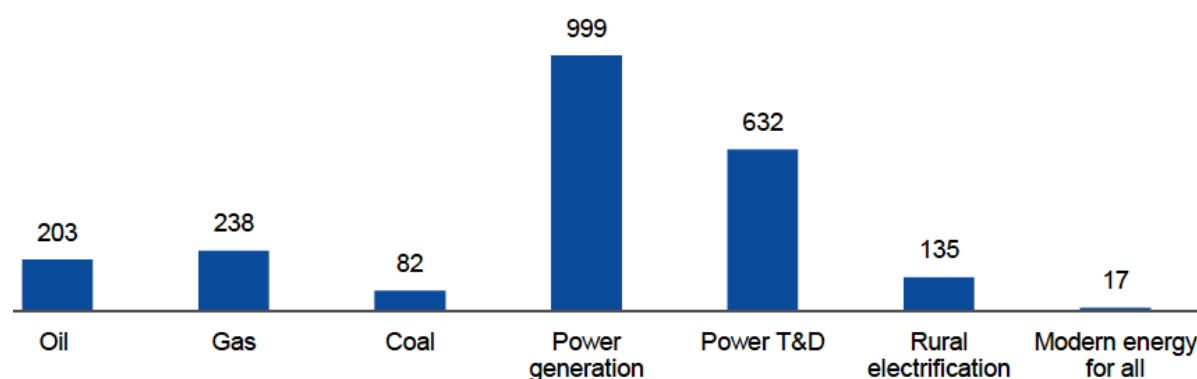
Source: Energy Statistics 2013

CAGR- Compound Annual Growth Rate; \* Thermal electricity is not a primary source of energy; P – Provisional

In the same period, consumption of coal, lignite, crude oil in terms of refinery throughput, natural gas (off-take), and electricity (thermal, hydro, and nuclear) increased at a CAGR of 4.9 per cent, 6.2 per cent, 6.0 per cent, 10.7 per cent, and 7.1 per cent respectively. Per capita energy consumption grew at a CAGR of 4.1 per cent during this period. The consumption pattern of energy by primary sources expressed in terms of peta

joules shows that electricity generation accounted for about 57.6 per cent of the total consumption of all primary sources of energy during 2011-12, followed by coal and lignite (20 per cent) and crude petroleum (18.8 per cent)<sup>15</sup>. Even though the domestic production of energy is projected to increase, import dependence will continue to be high, particularly for crude oil where nearly 78 per cent of the demand will have to be met from imports by the end of the Twelfth Plan<sup>16</sup>. India's energy requirements will force the country to spend a mammoth amount of investment for energy import as the figure below shows the projection.

**Figure 3.2 - Required Energy Investment, 2011-35 (US\$ billion)**



Note: For "Rural electrification" and "Modern Energy", investment figure is for 2010-30.  
Source: International Energy Agency, 2011a.

Import dependence for coal is also projected to increase from 18.8 per cent in 2011-12 to 22.4 per cent by the end of the Twelfth Plan. It is further estimated that import dependence for coal, liquefied natural gas (LNG), and crude oil taken together in the terminal year of the Twelfth Plan is likely to remain at the Eleventh Plan level of 36 per cent. The table below shows the trends of foreign trade in coal, crude oil and petroleum products over the last four decades.

<sup>15</sup> Ministry of Finance, *Economic Survey 2013-14*, op cit., p. 194

<sup>16</sup> Ibid p. 193

**Table 3.4 - Trends of Foreign Trade in Coal, Crude Oil and Petroleum Products in India (1970-2012)**

(Million Tonnes)

Year	Coal			Crude Oil			Petroleum Products		
	Gross Imports	Exports	Net Imports	Gross Imports	Exports	Net Imports	Gross Imports	Exports	Net Imports
1	2	3	4=(2)-(3)	5	6	7=(5)-(6)	8	9	10=(8)-(9)
1970-71	0.00	0.47	-0.47	11.68	0.00	11.68	1.08	0.33	0.75
1975-76	0.00	0.44	-0.44	13.62	0.00	13.62	2.22	0.17	2.05
1980-81	0.55	0.11	0.44	16.25	0.00	16.25	7.29	0.04	7.25
1985-86	2.03	0.21	1.82	15.14	0.53	15.14	3.87	1.96	1.90
1990-91	4.90	0.10	4.80	20.70	0.00	20.70	8.66	2.65	6.01
1995-96	8.87	0.09	8.78	27.34	0.00	27.34	20.34	3.44	16.90
2000-01	20.93	1.29	19.64	74.10	0.00	74.10	9.27	8.37	0.90
2005-06	38.59	1.99	36.60	99.41	0.00	99.41	13.44	23.46	-10.02
2006-07	43.08	1.55	41.53	111.50	0.00	111.50	17.76	33.62	-15.86
2007-08	49.79	1.63	48.17	121.67	0.00	121.67	22.46	40.78	-18.32
2008-09	59.00	1.66	56.83	132.78	0.00	132.78	18.52	38.90	-20.38
2009-10	73.26	2.45	70.80	159.26	0.00	159.26	14.66	50.97	-36.31
2010-11	68.92	4.41	64.51	163.60	0.00	163.60	16.82	59.08	-42.26
2011-12(p)	102.85	2.03	100.82	171.73		171.73	15.00	60.84	-45.84
Growth rate of 2011-12 over 2010-11 (%)	49.24	-53.91	56.29	4.97	-	4.97	-10.81	2.98	8.47

Source: Energy Statistics 2013. P – Provisional



Fuel imports have direct impact on India's economic growth and overall imports. The total amount of import of fuels accounted for nearly 37% in 2011-12 with the sub-group of Petroleum, Oil and Lubricants (POL) claiming a major share in the fuel category<sup>17</sup>.

**Table 3.5 - Majority Commodity Composition of India's Imports (in percentage)**

Commodity Group	2000-01	2010-11	2011-12
<b>Foods and Allied Products</b>	3.3	2.9	3.1
<b>Fuels, (of which – POL)</b>	33.5 (31.3)	30.9 (28.7)	37.4 (31.7)
<b>Fertilizers</b>	1.3	1.9	2.4
<b>Capital Goods</b>	10.5	13.6	14.1
<b>Others, (of which Gold &amp; Silver)</b>	52.5 (9.3)	49.6 (11.5)	49.0 (12.6)

Source: Ministry of Finance (2013), *Economic Survey 2012-13*, Government of India, New Delhi.

Incidentally, the rise in international oil prices had taken a heavy toll on India's trade deficit in the past. This reached a new high in 2011-12 at US\$ 184.6 billion which was stated by the Finance Ministry in its Economic Survey of 2012-13 as “the highest-ever trade deficit in India since 1950, contributing to a high current account deficit (CAD) of 4.2 percent of GDP<sup>18</sup>.”

<sup>17</sup> Isabelle Saint-Mezard (2014), “The International Dimension of India's Energy Security”, Asia Centre, [http://www.centreasia.eu/sites/default/files/publications\\_pdf/note\\_international\\_dimensions\\_india\\_energy\\_security\\_february2014.pdf](http://www.centreasia.eu/sites/default/files/publications_pdf/note_international_dimensions_india_energy_security_february2014.pdf)

<sup>18</sup> See, Ministry of Finance, Government of India, Economic Survey 2012-13, <http://indiabudget.nic.in/survey.asp> cited in Isabelle Saint-Mezard (2014), “The International Dimension of India's Energy Security”, p. 2

**Table 3.6 - Share of Major Resource Countries in India's Crude Oil Imports (in percentage)**

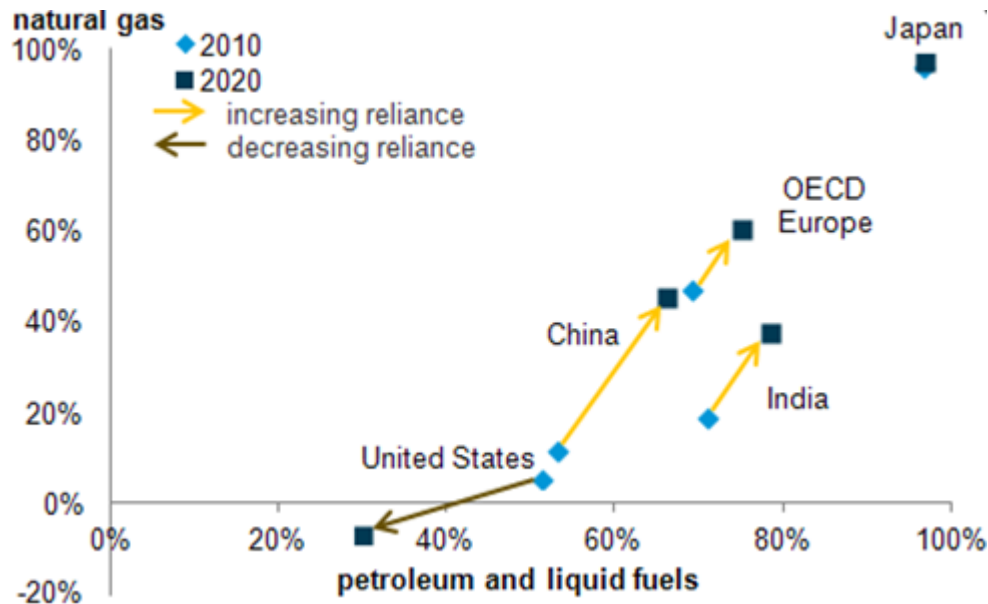
Source Year	2001-02	2009-10	2010-11	2011-12
<b>Saudi Arabia</b>	17	17	16.7	19
<b>Iraq</b>	4.8	9.3	10.5	14
<b>Iran</b>	10	13	11.3	10.5
<b>Kuwait</b>	15.2	7.4	7	10.3
<b>UAE</b>	9.6	7.3	9	9
<b>Nigeria</b>	14.8	8.4	9.6	8.2
<b>Venezuela</b>	4.5	4.6	6.3	5.5
<b>Angola</b>	0.5	5.6	6	5.2
<b>Qatar</b>	0.6	3.3	3.4	3.7
<b>Brazil</b>	0.5	1.6	1.7	2.2
<b>Rest (Oman, Egypt, Malaysia, Mexico...)</b>	22.5	22.5	18.5	12.4

Source: Isabelle Saint-Mezard (2014), *The International Dimension of India's Energy Security*.

Pant (2008) says, given the vulnerability of India for its dependence on energy resources from foreign sources, it would be looking for a regime that ensures regular flow of oil at sustainable price; however, energy trade is not governed by mere market forces alone as the geopolitics is one of the main critical determinants. But the changing pattern of global consumption and production of energy, the emerging mix and the investment requirements are redefining its geopolitical contours (Isabelle, 2014: 2). The conflict element of the energy politics and economy has seen a major structural shift to a cooperative structure due to international relations scenario of 'mutual sense of interdependence, vulnerability and win-win opportunity'(Isabelle, 2014: 42). The competition or cooperation for energy supply among the major oil importing countries is

very compelling given the fact that China and India's projected energy import is likely to increase while it is going to reverse for the United States<sup>19</sup>.

**Figure 3.3 - Projection of Oil and Natural Gas Import Reliance of Major Economies (2010-2020)**



Source: U.S. Energy Information Administration. <http://www.eia.gov/todayinenergy/detail.cfm?id=14691#>

India, being a latecomer in the arena of global market, faces tough competition in the face of the competitors that are well entrenched in the market. The thrust of the Indian strategy is to create a niche market for itself. As an emerging player from Asia, India appears to appreciate the fast changing dynamics of global hydrocarbon regime and its regional ramifications. India has been engaged in consolidation of its relation with oil energy resource rich nations and forging into new relations with those countries with which it did not have close relations including its neighbors Bangladesh, Pakistan and Myanmar. This

<sup>19</sup> The discovery of shale gas is the reason for this; the US could have sufficient natural gas not only to meet its own domestic needs but could also potentially become a global exporter of shale gas in the decades to come. The US could even become energy independent in the next 15 years or so. It has regained its position as the world's largest natural gas producer and expanded the life of its reserves from 30 to 100 years with the help of hydraulic fracturing technology. National Intelligence Council, *Global Trends 2030: Alternative Worlds*, December 2012, available at [www.dni.gov/](http://www.dni.gov/) and <http://globaltrends2030.files.wordpress.com/2012/11/global-trends-2030-november2012.pdf>

chapter will further proceed to show the trend in India's relations with other countries with energy security as a thrust in its interactions.

### **West Asia in India's Energy Security**

West Asia weighs heavily on India's strategic calculations given the latter's energy dependence on the resource-rich region. This is not to deny the importance of other factors like historical relations, growing economic ties and the presence of about 6 million Indians who work mostly in the Gulf region thereby enhancing the significance of West Asia for India. The importance of region's energy resources has also to be viewed in the context of India's growing demand for energy and geographical proximity that reduces transportation costs. So far, the imports have been mainly from West Asia. Though, India in the last one decade or so has been in rigorous search for energy to diversify its import source and to reduce the dependence on one region thus to maintain its energy security by procuring energy resources from other regions like Africa, Latin America and Central Asia, West Asia continues to be the principal source of India's energy imports. In 2010, around 63 percent of the total oil and gas imports came from West Asia, followed by 22 per cent from Africa and 10 per cent from Western hemisphere (Roy, 2014: 66). There will not be a radical change in India's major dependence on West Asia region as factors like economic viability, geographical proximity and entrenched contract with these countries based on historical connections play a vital role on India's increased dependence on this region. It thus becomes important to analyse the opportunities and challenges that India is exposed to in the process of managing its energy security given its energy dependence on West Asia; a region that is undergoing a tumultuous process of major political and economic transformation (Roy, 2014: 67).

Recognising the vulnerabilities arising out of economic and security reasons, India has, of late, included energy security as a critical component in its foreign policy agenda. India, for the same reason, has intensified its strategy of energy engagement with the region and thus been changing its character of energy profile. India has been engaged with the region through a wide range of energy related projects with energy players like

Riyadh-based International Energy Forum (IEF) as well as the International Partnership for Energy Efficiency and Cooperation (IPEEC) and the International Renewable Energy Agency (IRENA), etc.<sup>20</sup> Under the new policy approach, companies are encouraged to buy assets abroad. Oil and Natural Gas Corporation (ONGC) Videsh has US\$ 14 billion worth of assets in 13 countries<sup>21</sup>. Other companies are also looking at opportunities in Mozambique, Australia and in Latin America.

With rigorous energy hunt by acquiring assets, India aims to achieve diversification which has resulted in India increasing its purchase of energy resources from Latin America and Africa. The figures of imports were 22 per cent from Africa and 9 per cent from Latin America in 2010<sup>22</sup>. Yet, despite India's ongoing initiatives to secure its increasing energy requirements through its policy of diversification, West Asia remains the main source of India's imports. Countries like Saudi Arabia, the UAE, Iran, Qatar and Iraq meet the bulk of India's oil and gas needs. In recent years, the Persian Gulf region alone has accounted for more than 60 per cent of India's total hydrocarbon imports.<sup>23</sup>

In value terms, out of the \$ 152,076.16 million worth of oil and gas imports in 2012–13, as much as \$ 97,918.40 million worth came from the countries of West Asia alone. The oil import bill of India has been increasing steadily in the past few years. India's import bill, which amounted to \$ 47,018.75 million in 2006–07, increased to \$ 144,519.72 million in 2012–13 (Roy, 2014: 71).

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<sup>20</sup> Roy, Meena Singh (2014), "India-West Asia Energy Dynamics: Managing Challenges and Exploring New Opportunities", in Rumel Dahiya, *Developments in the Gulf Region: Prospects and Challenges for India in the Next Two Decades*, p. 70.

<sup>21</sup> Ibid.

<sup>22</sup> Adopted from keynote address by Pinak Chakravarty, Secretary, Economic Affairs, Government of India, delivered during National Seminar on "Energy Security and India's Foreign Policy", at Jawaharlal Nehru University, 22 April 2013, cited in Roy, Meena Singh (2014).

<sup>23</sup> Ever since India started importing fossil fuels, India's bilateral ties with most of the countries along the Persian Gulf, such as Iraq, Kuwait, Saudi Arabia and Yemen, have been dominated by energy imports (Roy, 2014: 71).

**Table 3.7 - Oil Import Values (in US\$ million) for the Period 2006-07 to 2011-12**

Country	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Year</b>							
<b>Bahrain</b>			0.03				
<b>Kuwait</b>	4,965.82	6,149.82	7,914.95	7,310.90	8,759.29	14,196.17	14,449.88
<b>Oman</b>		371.19	261.01	2,762.69	3,096.86	1,835.42	344.54
<b>Qatar</b>	633.37	407.46	1,412.94	2,398.23	3,075.73	5,224.51	6,668.78
<b>Saudi Arabia</b>	10,901.90	15,143.74	15,827.31	14,049.15	16,294.82	26,311.67	28,384.08
<b>UAE</b>	3,456.73	6,457.54	9,208.67	5,448.84	7,861.38	12,564.31	12,641.64
<b>GCC Total</b>	<b>19,957.82</b>	<b>28,529.75</b>	<b>34,624.91</b>	<b>31,969.81</b>	<b>39,088.08</b>	<b>60,131.91</b>	<b>62,488.92</b>
<b>Iran</b>	6,520.75	9,760.64	11,034.97	10,193.27	9,219.27	11,633.47	9,587.70
<b>Iraq</b>	5,500.16	6,834.57	7,655.81	6,979.59	8,954.66	18,826.19	19,141.11
<b>Yemen</b>	1,870.45	1,279.15	585.04	1,470.17	1,638.10	852.10	658.00
<b>Syria</b>	64.14		119.74	108.04		144.94	61.79
<b>West Asia</b>	<b>33,913.32</b>	<b>46,404.11</b>	<b>54,720.88</b>	<b>50,720.88</b>	<b>58,900.11</b>	<b>91,588.91</b>	<b>91,937.52</b>
<b>Total</b>							
<b>World Total</b>	<b>47,018.75</b>	<b>64,052.50</b>	<b>77,310.75</b>	<b>77,506.56</b>	<b>92,651.77</b>	<b>134,154.97</b>	<b>144,519.72</b>

Source: Department of Commerce, Government of India, "Export-Import Data Bank" at <http://commerce.nic.in/eidb/icntcomq.asp> in Roy, Meena Singh (2014), "India-West Asia Energy Dynamics: Managing Challenges and Exploring New Opportunities"

Though, there is a reduction in the percentage of total imports over six years since 2006, which is attributed to the diversification policy of India, the quantity of oil imports from the West Asian region in absolute terms is on the upward movement. In 2006–07, India imported 78.55 mt of oil from West Asia which increased to more than 92.48 mt in 2008–09 and 120.27 mt in 2012–13. The table 3.7 shows that India has been heavily dependent on West Asian Gulf countries and Saudi Arabia and Iraq stand out as key energy partners of India.

**Table 3.8 Oil Import by Quantity (in million tonnes) for the Period 2006-07 to 2012-13**

Country Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Bahrain			0.001				
Kuwait	11.49	11	14.08	14.61	14.38	17.94	18.74
Oman		0.6	0.43	5.22	4.78	2.29	4.63
Qatar	1.41	0.7	2.49	4.61	4.83	6.13	8.07
Saudi Arabia	24.79	27.27	25.91	26.88	26.29	31.86	34.96
UAE	7.39	11.17	14.21	10.43	12.65	14.97	15.59
<b>GCC Total</b>	<b>45.08</b>	<b>50.74</b>	<b>57.121</b>	<b>61.75</b>	<b>62.93</b>	<b>73.19</b>	<b>81.99</b>
Iran	16.50	19.04	21.58	22.08	16.08	14.98	13.24
Iraq	12.83	12.63	12.22	13.88	14.76	23.77	24.24
Yemen	4.03	2.32	0.95	2.92	2.77	1.01	0.72
Syria	0.11		0.37	0.2		0.16	0.08
<b>West Asia Total</b>	<b>78.55</b>	<b>84.73</b>	<b>92.48</b>	<b>100.65</b>	<b>96.54</b>	<b>113.11</b>	<b>120.27</b>

Source: Department of Commerce, Government of India, "Export-Import Data Bank" at <http://commerce.nic.in/eidb/icntcomq.asp> in Roy, Meena Singh (2014), "India-West Asia Energy Dynamics: Managing Challenges and Exploring New Opportunities"

With the future primary energy mix figures showing nearly 100% increase in liquefied natural gas (LNG) by 2030<sup>24</sup>, the scenario of LNG imports from the West Asian region highlights two important trends: first, that there has been a steady increase in terms of both value and quantity; and second, that Qatar, which has the third largest gas reserves and largest non-associated gas field in the world with proven reserves of 509 tcf of gas, continues to be the major supplier of LNG to India (Roy, 2014: 71). The value of India's LNG imports from Qatar accounted for \$ 5,734.18 million in 2012–13, which is a 18.21 per cent increase from 2011-2012 figure of \$ 4,850.83 million.

<sup>24</sup> See, Vision 2030: Natural Gas Infrastructure in India, at <http://www.pngrb.gov.in/Hindi-Website/pdf/vision-NGPV-2030-06092013.pdf>

**Table 3.8 - LNG Imports Values (in US\$ millions) for the Period 2006-07 to 2012-13**

Country Year	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
Oman	137.97	226.50	102.44	35.9		80.46	
Qatar	923.62	1,340.75	1,408.42	1,596.67	2,545.71	4,850.83	5,734.18
Saudi Arabia			49.50		39.24		
UAE	50.21		78.94	12.20		29.77	
<b>GCC Total</b>	<b>1,111.80</b>	<b>1,567.25</b>	<b>1,639.3</b>	<b>1,644.77</b>	<b>2,622.09</b>	<b>4,961.06</b>	<b>5734.18</b>
Yemen					37.14	75.76	246.70
<b>World Total</b>	<b>1,488.97</b>	<b>2,303.32</b>	<b>2,817.21</b>	<b>2,325.35</b>	<b>3,220.00</b>	<b>6,832.34</b>	<b>7,556.44</b>

Source: Department of Commerce, Government of India, “Export-Import Data Bank” at <http://commerce.nic.in/eidb/icntcomq.asp> in Roy, Meena Singh (2014), “India-West Asia Energy Dynamics: Managing Challenges and Exploring New Opportunities”.

The increase was much higher at about 90 per cent between 2010–11 and 2011–12. While India has been reducing crude oil import from Yemen, since 2010, Yemen has also emerged as an important source of LNG supply for India<sup>25</sup>. The value of LNG imports from Yemen amounted to US\$ 246.70 million in 2012–13—more than double when compared to US\$ 75.76 million in 2011–12. A comparative analysis of data on LNG imports clearly highlights the increasing trend. India’s total LNG import from the GCC countries in terms of value amounted to US\$ 1,111.80 million in 2006–07 and this increased to US\$ 5,980.88 million in 2012–13 (Roy, 2014: 73).

Various Indian and international estimates suggest that India’s import dependency is likely to increase further in near future. According to India’s Planning Commission document, “The gap between supply and availability of crude oil, petroleum products as well as gas from indigenous sources is likely to increase over the years<sup>26</sup>.” The increased dependence on the West Asian region with bleak chances of domestic energy resource finds in future makes India becoming prone to future vulnerabilities at the same time

<sup>25</sup> In 2001-02 percentage share of imported crude from Yemen was 3.89 which declined to 0.76 percent in 2011-12. (Sahoo, 2015: 68)

<sup>26</sup> *Report on the Group on India Hydrocarbons Vision 2025*, cited in Roy (2014), p. 74.



increases the importance of the region for India and gives the policy makers to device policies for securing energy supplies from this region in future without any hiccups.

The historical relations between India and the Gulf Cooperation Council (GCC) countries have been closely cooperating in dynamic interdependence partnership among them. Gulf countries' importance to India has been and will be pivotal for its growing economy and energy needs. The importance of the Gulf region makes it an "extended neighbourhood" or even "immediate neighbourhood" while it is already a part of India's "natural economic hinterland" (Pradhan, 2014: 13). For the Gulf countries, India is an emerging market and an investment destination. India has played a vital role as a vital supplier of human resources and technical know-how. The total trade between India and the GCC increased from \$5.55 billion in 2000-01 to \$158.41 billion in 2012-2013. Of its oil imports GCC countries contribute with the highest share of energy supply with nearly 60% of supply form this region. Consequently, developments in the region's energy sector are bound to have a bearing on India's future energy needs and security<sup>27</sup>. The Arabian Gulf countries have been the major players in the global hydrocarbon market since the Second World War thanks to its abundant oil and gas reserves. Situated at the junction of three continents namely Asia, Africa and Europe, the Gulf region provides the vital linkages over land between Europe and Indian subcontinent and across sea between Africa and India. The gulf region alone commands an unimaginable vast reservoir of oil which is about 60 per cent of the world's proven reserves<sup>28</sup>.

### **India's policy towards Iran and Energy Security**

Iran is richly endowed with oil and gas and it has been making steady progress in the exploration and development of its hydrocarbons. Iran is one of the major energy supplier and energy player in the world energy market. It is the second largest oil-producing member of OPEC, after Saudi Arabia. While its proven oil reserve account for 9.3 percent of the world reserves, its natural gas reserves stands at 18.2 percent of world total

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<sup>27</sup> Given the developments like the GCC countries joining WTO regime and poised to collaborate with oil corporations and consequently becoming more transparent. Pant, Girijesh (2008), op cit., p. 84

<sup>28</sup> Prabhakar, Akhilesh Chandra (2004)

reserves with 33.6 trillion cubic meters. In terms of production it ranks fourth in the world.

**Table 3.9 - Iran Oil and Gas Reserves**

	1993	2003	2012	Share of Total
Oil Proved Reserves (Thousand million barrels)	92.9	133.3	157.0	9.3%
Oil Production (Thousand barrels daily)	-	4002	3751	4.0%
Natural Gas Reserves (tcm)	20.7	27.6	33.6	18.2%
Natural Gas Production (bcm)	-	82.7	165.6	4.9%

Source: BP Statistical Review of World Energy June 2014.

Most of its gas is located in non-associated fields<sup>29</sup> South Pars is the largest non-associated natural gas field. It was first identified in 1988<sup>30</sup>. Iran intends to double its oil production within the next 25 years as its oil wells and infrastructure require to be upgraded. To mobilize foreign investments toward this Iran has been facing serious obstacle in the form of US-imposed economic sanctions. The US Iran-Libya Sanctions Act (ILSA) of 1996 debarred the American companies and their foreign subsidiaries from conducting business in Iran including any ‘contract for the financing of the development of petroleum resources located in Iran’<sup>31</sup>. In the post 9/11 world scenario any relaxation in the sanctions on Iran seemed remote as Iran was termed as a constituent of the ‘axis of evil’ along with Iraq and North Korea by the US. In this background Asia was emerging as a main energy market for Iran. Iran exported 1.08 mb/d to Asia in 2002 alone. The Asian thrust of Iranian energy policy found its eloquent expression when the oil minister

<sup>29</sup> Natural gas can be “associated” which is found in oil fields or “non-associated” which is available isolated in natural gas fields. It is also found in coal beds as coalbed methane.

[http://en.wikipedia.org/wiki/Natural\\_gas#Shale\\_gas](http://en.wikipedia.org/wiki/Natural_gas#Shale_gas)

<sup>30</sup> Pant, p. 125

<sup>31</sup> The earlier U.S. sanctions under the Iran Sanctions Act (ISA) was the core of U.S. sanction accommodate it gains Iran’s energy and other economic sectors. To ) insistence on retaining control of its national resources, Iran had used a “buy-back” investment programme in which foreign firms could recoup their investments as oil and gas is discovered and then produced. The Iran and Libya Sanctions Act (ILSA) was a revised version of “Iran Foreign Oil Sanctions Act” introduced in 1995. See, Katzman, Kenneth (2013), “Iran Sanctions”, Congressional Research Service, pp. 1-76. p.2, [Online: web] Accessed 15<sup>th</sup> May 2012, URL: <http://www.au.af.mil/au/awc/awcgate/crs/rs20871.pdf>

advocated the establishment of Asian Bank for Energy Development during the 'Round Table of Asian Ministers on Regional Cooperation in the Oil and Gas Economy' held at New Delhi<sup>32</sup>. India is the second largest buyer of Iranian oil and it has had traditionally close economic and cultural ties. The Iranian Revolution in 1979 led to a new phase of engagement between India and Iran. The real watershed in India's foreign policy characteristics happened at the end of the Cold War which witnessed India's policy shift at the domestic and international level. With the U.S. at the forefront in the hierarchy of the unipolar system and India slowly getting integrated into the global economy in aspiration to play an influential role by contesting the hierarchy of the new world order dominated by unipolar system, India, along with other emerging powers India resorted to an original diplomatic model based on a wide range of strategies. India's 'Look East Policy' launched in the early 1990s and a few years later the 'Look West Policy' expressed India's desire to break from its traditional focus on South Asia and engage with its 'extended neighborhood'<sup>33</sup>.

In this context India aimed to forge a new strategic alliance with Iran based on common economic, energy and security interests. There have been exchanges of high-level visits. At the start of a new era of economic liberalization, India's Prime Minister Narasimha Rao visited Iran in September 1993 which was reciprocated by Iranian President Akbar Hashemi Rafsanjani in April 1995. Prime Minister Atal Behari Vajpayee visited Iran at the dawn of the millennium in 2001 and President Mohammad Kahtami paid a state visit in 2003 as the Chief Guest at the Republic Day event. The Joint Commission between India and Iran was set up in July 1983 and there was an expansion of cordial and multi-faceted ties with Iran in 2000. The 11<sup>th</sup> meeting of the Indo-Iran Joint Commission was attended by the External Affairs Minister of India on the transfer of Iranian gas to India was held in Tehran<sup>34</sup>. The discussion was held to evaluate different options of transporting Iranian gas to India. Transporting gas from Iran through Pakistan by a pipeline has been the most potential component of the India-Iran energy relations.

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<sup>32</sup> It was also suggested that Asian oil producers should fix a lower price for Asian buyers and encouraging production of oil and gas for Asian countries should be made a policy priority. Pant (2008), p. 133

<sup>33</sup> Levaillant Melissa (2012), p. 3

<sup>34</sup> Government of India (2001), *Annual Report 2000-2001*, Ministry of External Affairs, New Delhi, p. iii

Iranian Deputy Minister of Foreign Affairs M.H. Adeli stated that if realised, “the pipeline can save India up to \$300 million every year in energy costs”<sup>35</sup>.

**Figure 3.4 - IPI and TAPI Gas Pipeline Projects**



Source: Levallant Melissa (2012), “India’s Foreign Policy Towards Iran: Dilemmas of An Emerging Power”.

In August 2012, Prime Minister Manmohan Singh visited Iran to attend the 16<sup>th</sup> Non-aligned Movement (NAM) summit held in Tehran<sup>36</sup>. The exchange of high-level visits not only substantiated the keenness of these two countries to raise the profile of their relationship but also make them visualize the significance of their strategic partnership and to redefine energy in a wider perspective of regional peace and cooperation<sup>37</sup>. More than half of the Indian import is of petroleum crude and products and India ranks fifth as export destination for Iran.

<sup>35</sup> The Hindu-Business Line (2003), “Iran offers to bear 60 pc cost of gas pipeline project”, New Delhi, 25 November, 2003. [Online: web] Accessed on 24 May, 2012,

<http://www.thehindubusinessline.com/2003/11/26/stories/2003112601560400.htm>

<sup>36</sup> Iran assumed the presidency of NAM in 2012

<sup>37</sup> Pant (2008), p. 136

Iran emerged as a critical energy partner for India and also providing unique access to Central Asia while convergence of security interests in Afghanistan also reinforced their strategic partnership. The cordial relations between India and Iran faced a setback between 2005 and 2008 due to India's votes at the International Atomic Energy Agency (IAEA) in favour of economic sanctions against Iran to deter it from pursuing nuclear programme<sup>38</sup>. However, President Ahmadinejad's visit to India in 2008 marked a new-found zeal and revival of high-level diplomatic exchanges between India and Iran.

### **Energy Security and Foreign Policy**

India and Iran relation promises a great potential for a optimal cooperation in the energy sector as energy security had become one of the main pillars of India-Iran relations since early 1990s. The root of this energy cooperation goes back to the times of the first Gulf War in 1990, due to which India lost its two main crude oil suppliers, Iraq and Kuwait. Iran came to India's rescue as it is the second largest producer of oil and became the second largest crude oil supplier to India only after Saudi Arabia. In 2011, India imported approximately 12 percent of its oil from Iran<sup>39</sup>. India has shown keen interest in buying Iran's natural gas at cheaper rate<sup>40</sup>. However, the process of refinement and transportation of gas from Iran had raised a number of issues. The Iranian natural gas was said to be transported via an overland pipeline from its South Pars field through Pakistan. Although Iran seemed to reap the maximum gains not only because it would get substantial revenues from the gas sale, but also because of the large part of the investment to be made would be on Iranian territory, extending over 1,000 km as compared to 800 km in Pakistan and 700 km in India. Pakistan would get the gas plus the transit fee to the tune of \$400-\$500 million per year, and so it was presented as an opportunity for peace and stability in the region. Nevertheless, India was skeptical on this project as it feared a possible Pakistan foul play after the pipeline becomes a reality which would destabilize India's economic growth and security. However the plan proposed by Iran was not a trilateral Government-to-Government project. It actually envisaged an international

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<sup>38</sup> Levallant Melissa (2012), p.4

<sup>39</sup> Ibid, p. 7

<sup>40</sup> The price at which the gas was to be made available was at \$1.80 per million metric British thermal units(mBtu) when delivered to the Indian border which was almost half the price of imported LNG. This is also due to the fact 30% of the gas is lost in the process of liquefying. Pant (2008), p. 139

consortium, made up of the national companies of the three countries concerned along together with other international partners, possibly companies from China and Russia and the international mining giant, BHP-Billiton or companies consisting Shell, British Gas, Petronas, and an Iranian business group, buying gas from Iran and selling it to India for 30 years. The consortium would operate within the framework of international commercial law, reinforced by the trilateral 'Framework Agreement' and the three governments' commitment to the provisions of the Energy Charter Treaty. The consortium would accept any responsibility for possible disruption of supplies by the transit state, in this case Pakistan. So, the rationale was that the ownership of the project by an international consortium and the fact that Pakistan itself would be one of the major consumers of the gas would limit its ability to tamper with the pipeline<sup>41</sup>.

However, the possibilities of another Indo-Pakistan conflict and the US opposition to the pipeline have caused the delay in the implementation of this project. Despite showing interest in the project, India stopped attending the trilateral meetings since 2007 and instead it showed greater enthusiasm and interest in the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline<sup>42</sup>. India's policy to forge a closer relation with Iran envisages great commercial opportunities as the strategic position of Iran constitutes a gateway and a transportation route for India's trade with Central Asia countries and increases its influence in the Central Asian region. India relies on Iran for its enhanced economic presence in Afghanistan. In 2009, Indian companies completed the route connecting the Zaranji city, bordering Iran, and Delaram of Afghanistan<sup>43</sup>. India's energy ties with Iran, such as its investment in the Chahbahar Container Terminal Project in order to expand the capacity of the Iranian port, is seen through the prism of

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<sup>41</sup> Ahmad, Talmiz (2009), "Geopolitics of West Asian and Central Asian Oil and Gas: Implications for India's Energy Security" in Noronha, Ligia and Anant Sudarshan, p. 74.

<sup>42</sup> The Gas Sales and Purchase Agreement relating to this pipeline was signed in May 2012. Levallant (2012), p.8

<sup>43</sup> This is known as Route 606 or A71 which is a 218 km connecting Delaram in the north to the border of Iran in the south near Zaranji. However, this strategic Zaranji-Delaram highway which was handed over to the Afghan government on January 22, 2009 is under Taliban control.

[http://en.wikipedia.org/wiki/Route\\_606\\_\(Afghanistan\)](http://en.wikipedia.org/wiki/Route_606_(Afghanistan)) and

<http://www.indiandefencereview.com/news/indian-built-zaranji-delaram-highway-under-taliban-control/>

broader strategic move as India's involvement in Chahbahar project and its close relation with Iran would allow India to use this as a station to its naval vessels.

**Map 3.1 – Delaram-Zaranji-Chahbahar Highway**



Map Source: Delaram Zaranj Highway, Chahbahar Port: India-Iran-Afghanistan Trade Relations at <http://mrunal.org/2012/08/diplo-delaram.html>

This would be considered as India's reply to China's 'String of Pearl' strategy of developing the deep-sea Gwadar port in Pakistan. Iran has been anxious to keep, in every possible way, India as a favoured customer. It had in the past offered India lucrative terms for developing its oilfields, routing a proposed natural gas pipeline through the sea to avoid Pakistan as well as insurance to Indian refiner if New Delhi raised its oil imports without heeding to U.S.<sup>44</sup> But, the U.S. on the other hand had been applying pressure against India and Indian companies that have stakes in energy resources of Iran. The U.S. had been staunchly opposing India's participation in the IPI Pipeline project. Though, India obliged to U.S. pressure to an extent India's position was to abide by any multilateral sanctions authorized by the UN but not obligated to comply with unilateral

<sup>44</sup> Iran sent a high-level delegation led by Oil Minister to India to urge India to raise its oil purchases, which showed a steep fall to 13.3 million tons in 2012-13 from 18 million tons in 2011-12. Daly John (2013), "India's Energy Ties with Iran Unsettle Washington", [Online: web] Accessed on 21, May 2014 URL: <http://oilprice.com/Geopolitics/International/Indias-Energy-Ties-with-Iran-Unsettle-Washington.html>

sanction that undermine Indian commercial interests (Pant, 2013:14). As far as the foreign policy of the U.S. is concerned the problem for the U.S. stems from Iran's threat to the establishment's order of things in West Asia<sup>45</sup>. So, the deal from the U.S. was to assist India in building up its nuclear sector for India's calling-off the natural gas pipeline project and reduce its import of oil from Iran. Also, there was pressure from the West to pressurize India to make payment to Iran through Indian rupees<sup>46</sup>.

As far as the nuclear deal between India and the U.S. and India's nuclear power projection is concerned, the best case scenario for nuclear power was that it would provide around 5 percent of India's total electricity needs and only 2 percent of its energy needs by 2015 which doesn't make the deal worthwhile for the kind of strategic risk India was taking and it is not a permanent solution to India's energy security as, apart from the nuclear deal, there was not any promise to provide any other energy access for India to compensate for its India-Iran energy partnership loss.

### **Africa in India's Energy Security Calculus**

India's energy ties with Africa are relatively new and still developing. At the heart of India's interest in Africa's energy resources is a growing dependency on energy imports, due to increased demand for energy and a lack of domestic resources to meet that demand<sup>47</sup>. This import dependency is projected to rise and, according to the *Integrated Energy Policy* report, published in August 2006, if India is to maintain an 8% growth rate, its import dependency could reach 90% for oil, about 50% for natural gas and an upper limit of 45% for coal by 2030<sup>48</sup>. While India has been importing coking coal for years, it has also recently begun to import thermal coal. Currently, India imports about

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<sup>45</sup> U.S. policy to reduce Iran by military and political means and taking India by its side has been U.S. policy since the early 1990s. Prashad Vijay (2013), "India's Iran Policy: Between US Primary and Regionalism", *International Affairs*, Working Papers Series 9, Issam Fares Institute for Public Policy and International Affairs, American University of Beirut, p. 10

<sup>46</sup> Rapoza Kenneth (2012), "India Facilitates Iran Oil Shipments With New Rupee Payment System", <http://www.forbes.com/sites/kenrapoza/2012/03/20/india-facilitates-iran-oil-shipments-allows-for-non-dollar-deals/>

<sup>47</sup> Over the next 20 years at least, domestic coal reserves are expected to last for 40–45 years and oil reserves for another 10. Natural gas prospects are improving, but reserves are still only for 28 years, and renewable energy is still perceived to be in its infancy.

<sup>48</sup> Planning Commission (2006), *Integrated Energy Policy*, Government of India, p. 45, <http://www.planningcommission.nic.in/reports/genrep/intengpol.pdf>



70% of its crude oil demand, mainly from West Asia, from where it also began importing natural gas in 2004<sup>49</sup>. Even in the area of nuclear energy, India is going to be dependent on uranium imports. Sourcing uranium is a necessary first step to meeting the country's stated targets of 20 000 megawatts electric by 2020, which will not be attainable through indigenous fuel supplies that are not only modest in terms of availability but also of lower quality<sup>50</sup>. Faced with a growing dependency on energy imports, India is keen to diversify its sources in order to ensure its energy security, primarily in response to the continuing instability of its primary energy-supplying region, West Asia. As a result, Africa, with its proximity and abundant energy supplies, is of immediate and primary interest. Singh (2015: 130) cites few important factors that account for India's willingness to acquire African energy assets:

1. The good quality of Africa's oil with low sulphur content that makes refining easier than the Middle Eastern oil which is very sticky due to high in hydrocarbons.
2. The geographical location of the continent makes it strategic and accessible and the cost effectiveness due to the fact it is easier to transport through water bodies as most of the energy rich countries of the continent is surrounded by ocean.
3. The easy and favourable contractual environment in Sub-Saharan countries makes it easier to get energy deals.
4. Safety of energy assets in terms of their locations as major discoveries in recent years in Africa have been offshore which may not attract any sabotage in case of any nationalist fervor.
5. The speed of growth in energy assets makes it definite strategic region as one-third of the world's new oil discoveries since 2000 have taken place in Africa.

Until recently, India's energy trade in Africa focused mainly on two countries: Nigeria for oil and South Africa for thermal coal<sup>51</sup>. However, over the last decade India's energy

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<sup>49</sup> TERI (The Energy and Resources Institute), *Building an Energy Secure Future for India in Consultation with Stakeholders*, final report on TERI Project 2006RS22, submitted to the Khemka Foundation. New Delhi: TERI, 2010.

<sup>50</sup> Sharma D (2010), 'Uranium trade and its security implications for India', *South Asian Survey*, 17(1): pp. 91–110.

<sup>51</sup> According to the US Energy Information Administration, Nigeria's oil is attractive primarily because it is of a light sweet quality. See US Energy Information Administration, 2010, <http://www.eia.doe.gov/cabs/Nigeria/Oil.html>, accessed 5 November 2010.

ties have moved beyond Nigeria and South Africa to other parts of Africa, as well as other sources of energy such as uranium.

**Table 3.10 - India's Energy Imports from African Countries**

S.No	Coal	Oil	Natural Gas	Uranium/Nuclear deal
1	South Africa	Nigeria	Egypt	Namibia
2	Mozambique	Angola	Nigeria	Malawi
3	Egypt	Egypt	Algeria	South Africa
4	Algeria	Algeria	South Africa	Niger
5	-	Libya	Guinea	Madagascar
6	-	Sudan	-	Gabon
7	-	Congo	-	-
8		Equatorial Guinea	-	-
9	-	Guinea	-	-
10	-	Democratic Republic of Congo (DRC)	-	-
11	-	Cameroon	-	-
12	-	Gabon	-	-
13	-	Guinea Bissau	-	-
14	-	Cote D'Ivoire	-	-
15	-	Morocco	-	-
16	-	Liberia	-	-
17	-	Tanzania	-	-
18	-	Tunisia	-	-
19	-	South Africa	-	-

Source: Sharma, Devika (2011), "Before and Beyond Energy: Contextualising the India-Africa Partnership", Occasional Paper No. 77, South African Institute of International Affairs

Although India imports more coal from Australia and Indonesia, from 2008–09 imports from these countries fell by about 12% and 10% respectively, while South Africa's exports of coal to India grew by 35%. India's year-on-year coal imports from South Africa almost tripled in 2009 and, according to James O'Connell, managing editor of the *International Coal Report*, India is likely to emerge as South Africa's biggest coal importer in the coming years<sup>52</sup>. South Africa is by far India's biggest trading partner for coal in Africa: in 2009–10, India imported coal worth \$1,314.38 million (almost 21% of India's total coal imports), while Egypt was in second place with \$33.75 million.

In 2009–10, India imported oil from almost 50 countries, compared to 35 countries in 2006. The top 13 countries accounted for 95% of India's crude oil imports in 2006–07, but only 86% in 2009–10. It is interesting to note that in 2006–07, India imported oil from only two African countries: Nigeria and Egypt, but by 2009–10, the top 13 slot included Angola and Egypt, accounting for 5.4% and 1.5% of India's total crude oil imports respectively. This shows how the importance of other African countries, primarily Angola, has grown over the last few years. In 2009–10, of the top 13 countries, Africa provided about 20% of India's total crude oil imports, compared to 16% in 2006–07. However, in terms of total exports of crude oil from Africa to India, the rise since 2006–07 has been less significant – from about 18% to 20.6%<sup>53</sup>. India's crude oil imports from Africa have been rising steadily and have not only deepened, but also widened. India imported crude oil from seven African countries in 2006–07, but by 2009–10 the number had risen to 15. All but three registered a positive growth rate in oil imports in 2009–10 compared to 2008–09, with Algeria registering a growth rate of almost 375%. In the last decade, India's state-owned Oil and Natural Gas Corporation (ONGC) through its international division, ONGC Videsh Limited (OVL) has managed to secure considerable exploration contracts and energy related projects in the African continent. From 2003 to 2010, Sudanese crude made up an average of 46 percent of the company's annual production (Patey, 2014).

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<sup>52</sup> O'Connell J, 'India is becoming influential in world coal trade–Q&A: with Rajesh Bhayani', *Business Standard*, 2 April 2010, <http://www.business-standard.com/india/news/%5Cindia-isbecoming-influential-in-world-coal-trade%5C/390464/>.

<sup>53</sup> Sharma, Devika (2011)

Table 3.11 - ONGC Investments in Africa

Country	Type of Investment	Size of Investment
Nigeria*	Oil pipeline	Not stated (25% stake in the GNPOC project)
Sudan	Oil production	Not stated (24% share in Block 5A & 24% share in Block 5B)
Sudan	Oil refinery	US\$ 1.2 billion
Sudan	Multi-product export pipeline	US\$200 million
Sudan	Oil pipeline (part of the Great Nile Petroleum Operating Co. (GNPOC))	US\$750 million
Mozambique	Gas production	US\$ 2.475 billion
Libya*	Oil Exploration and Production (PI)	Total of US\$ 100 million
Egypt*	Gas Production	US\$235 million
Egypt	Oil Production	US\$44 million

Source: Naidu, Sanusha (2010), "India's African Relations: In the Shadow of China?", and Dubey (2015), *India and Africa's Partnership: A Vision for a New Future*.

\* The oil blocks were not commercially viable and OVL relinquished 2 blocks in Libya and 3 blocks in Nigeria. OVL exited the gas block in Egypt

Apart from this other oil companies like Indian Oil Corporation Ltd. (IOCL), Oil India Ltd. (OIL) have also ventured into oil exploration and production deals in African countries like Nigeria and Gabon. India's historical tie with the continent has helped it clinch energy deals to catch up with China's stronghold in energy deals with the region.

**Table 3.12 - India's Major Successful Energy Projects in Africa**

Country	Blocks	Participating Interest and Partners
Egypt	Block 3 and 4, offshore	OIL (25%), HPCL (25%) and GSPC (50% Operator) – PSA not signed
Gabon	Shakthi	OIL (45% Operator), IOC (45%) and Marvis Pte Ltd. (10%)
Libya	Block 86	Oil India Limited (OIL) – (50% operator) and Indian Oil Corporation Limited (IOCL) 50%
	102/4	OIL (50% operator) and IOCL (50%)
	Area 95/96	OIL (25%) AND IOCL (25%) and SIPEX (50%)
	Contract Area- 43	OVL (100%)
Madagascar	2 Onshore Blocks in the Morondava basin	Essar Energy (100%)
Mozambique	Offshore area 1	Anadarko (36.5% Operator), Mitsui E&P Mozambique Area 1 (20%), BPRL Ventures Mozambique BV (10%), Videocon Mozambique Rovuma 1 (10%), Cove Energy Mozambique Rovuma Offshore (8.5%) and Empresa Nacional de Hidrocarbonetos, E.P. (15%)
Nigeria	OPL-279	OMEL (45%), EMO (40%) and Total (14.5%)
	OPL-285	OMEL (64.33%), EMO (10%) and Total (25.67%)
	OML 142* (Formerly OPL-205)	OIL and IOCL holding 25% equity in Suntera Nigeria 205 Ltd.
Sudan	GNOP Block 1, 2 & 4	ONGC Videsh (OVL)- 25%, CNPC (40%), Petronas (30%), Sudapet (5%), (Joint consortium)
	Block 5A	OVL (24.125%), Petronas (67.875%), Sudapet (8%)
	Pipeline Project	OVL (99%) and OIL (10%)

Source: Singh (2015) and

<http://www.sungroup-global.com/english/sectors/pdf/Suntera%20Booklet%20for%20Web.pdf>

\* Oil Prospecting License 205 (OPL 205) has been converted to Oil Mining License 142 (OML 142) in 2006. PSA – Production Sharing Agreement

A decade ago Africa did not contribute to India's natural gas demand, but off late it is emerging as a crucial contributor to India's energy needs at a time India is looking to diversify its energy sources worldwide. Egypt and Nigeria are important LNG sources for

India in the African region. After India signed the nuclear deal with the U.S., there have been number of nuclear agreements signed between India and Africa.<sup>54</sup> India's entry point to Africa has been Namibia with whom India signed an Agreement on Co-operation in Peaceful Uses of Nuclear Energy in August/September 2009, when Namibian President Hifikepunye Pohamba visited India. Under the agreement, Namibia will supply uranium oxide to India, along with copper and diamonds. Apart from Namibia, India has already been involved in uranium exploration and exploitation in Niger. Private Indian companies that have been prospecting for uranium in Africa include Taurian Resources Private Limited in Niger and Varun Energy Corporation in Madagascar. In addition to those mentioned above, countries such as South Africa, Gabon and Malawi have also offered to sell uranium to India<sup>55</sup>. India's energy ties with Africa are both well-established and expanding. According to the *World Energy Outlook 2010*, 'India is the second largest contributor to the increase in global energy demand to 2035, accounting for 18% of the rise in energy'<sup>56</sup>. Given this basic fact, India's presence in Africa's energy sector is founded on simple supply–demand complementarities.

### **Natural Gas and India's Energy Security**

India's consumption of natural gas has risen faster compared to any other fuel in the past decade. Natural gas has been a substitute for coal in electricity generation and fertilizer production in India<sup>57</sup>. India began importing liquefied natural gas from Qatar in 2004<sup>58</sup> and increasingly relies on imports to meet domestic natural gas needs. Natural gas serves as an alternative for LPG and other petroleum products in the fertilizer and other sectors. The growing need for importing LNG has made India the world's fourth largest LNG importer, following Japan, South Korea and China. India has also consumed almost 6% of the global market and the Indian companies hold both long-term supply contracts and

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<sup>54</sup> Sharma, Devika (2011), op cit. p.7

<sup>55</sup> Ibid

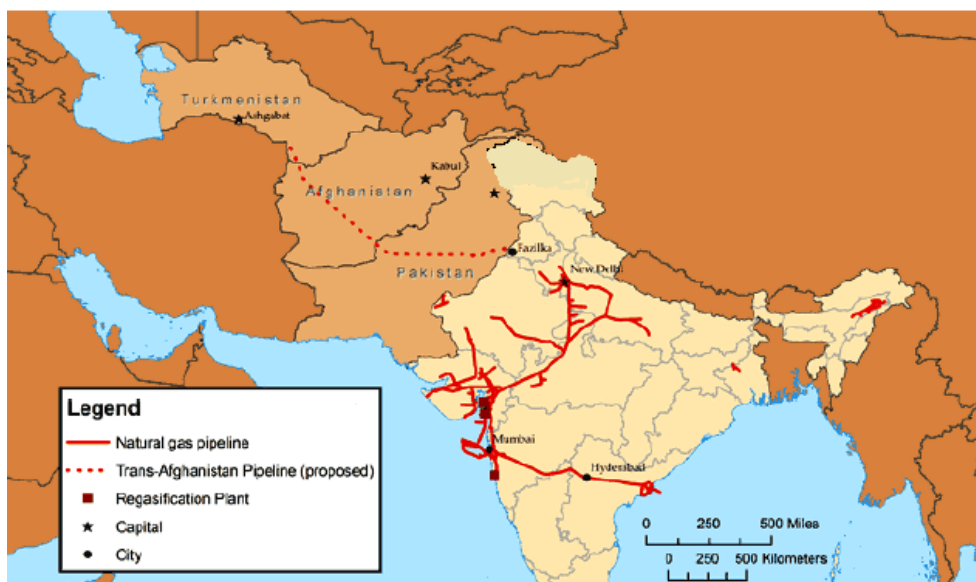
<sup>56</sup> Ibid, p. 8.

<sup>57</sup> The majority of natural gas demand in 2012 came from the power sector (33%), the fertilizer industry (28%), and the replacement of LPG for cooking oil and other uses in the residential sector (15%). See, U.S. Energy Information Administration, Country Overview: India. p.12

<sup>58</sup> India was self-sufficient in natural gas till 2004. It had to import natural gas due to inadequate domestic natural gas infrastructure to meet domestic demand.

more expensive spot LNG contracts<sup>59</sup>. Natural gas consumption has grown at an annual rate of 8% from 2000 and 2012, although supply disruptions starting in 2011 resulted in declining consumption. From only 0.6 trillion cubic feet (Tcf) per year in 1995, natural gas use was nearly 0.8 Tcf in 2000<sup>60</sup>. In 2012, India consumed 2.1 trillion cubic feet (Tcf) of natural gas. LNG import accounted for about 29% of 2012 demand, and LNG is expected to account for an increasing portion of demand at least in the next several years as Indian energy firms attempt to compensate for the India's recent production decline.

**Map 3.2 - India Natural Gas Infrastructure**



Source: U.S. Energy Information Administration. Map is slightly modified and different from the one given by the EIA.

According to the Oil & Gas Journal, India has 47 Tcf of proved natural gas reserves. While 34% of total reserves are located onshore, 66% are located offshore<sup>61</sup>. But, insufficient pipeline infrastructure and lack of a nationally integrated system constrain natural gas demand in India. India has been considering importing natural gas via pipeline through several international projects, although many of these projects have not materialized due to unfeasible political and economic reasons. India's Foreign Investment

<sup>59</sup> U.S. Energy Information Administration, Country Analysis: India

<sup>60</sup> Prabhakar, Akhilesh Chandra (2004), p. 152,

<sup>61</sup> "Liquid Natural Gas to become India's Energy Future", *World Bulletin*, 19 September, 2014, <http://www.worldbulletin.net/haber/144747/liquid-natural-gas-to-become-indias-energy-future>

Promotion Board (FIPB) had approved 12 prospective LNG import terminal projects in the mid-to-late- 1990s<sup>62</sup>. In 2005, negotiations over a transnational pipeline between India and Bangladesh governments failed to reach an agreement and fell through. The IPI (Iran-Pakistan-India) pipeline project, what would have been a grand pipeline project if materialized, failed due to domestic and international political pressure. India withdrew from IPI in 2009; however the government has been participating in a pipeline project to import natural gas from Turkmenistan to India<sup>63</sup>.

The Turkmenistan-Afghanistan-Pakistan-India (TAPI) project, also known as the Trans-Afghanistan Pipeline, has seen over a decade of discussion, although major geopolitical risks and technical challenges have prevented the project from starting. The partners have signed a framework agreement in 2010 and agreed on unified transit tariffs for the route in early 2012. In May 2012, India signed gas supply and purchase agreements with Turkmenistan. The Asian Development Bank (ADB), which is the appointed by the participating members as the project's technical and financial advisor, estimated the pipeline's cost at about \$10-12 billion<sup>64</sup>. The Myanmar-Bangladesh-India pipeline was held up due to Bangladesh's linking the project with its desire to obtain transit rights to Nepal and Bhutan through India.

Qatar's RasGas is India's sole long-term supplier of natural gas, with two contracts for a total of 360 Bcf and it was the source of 84% of India's total LNG imports. India has been importing spot cargoes following interruptions in its KG-D6 field production after 2010 and began receiving LNG cargoes from various countries. Nigeria, Egypt, and Yemen are India's largest short-term LNG suppliers. Indian companies have been receiving LNG supply from various new LNG sources and signed several short-and

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<sup>62</sup> The Indian government froze approvals of new LNG terminals in 2001, and payment problems at the Enron-backed Dabhol Power Plant in Maharashtra have led to question the financial viability of some of the LNG import project. See, p. 154 Prabhakar, Akhilesh Chandra (2004)

<sup>63</sup> Under intense pressure from the U.S., citing disputes over prices and transit fees, India withdrew from the project. Dependence on Pakistan as a transit country was also said as a reason for Pakistan in future may interrupt the gas supply which might adversely affect India's energy security calculations. But, the face is this project was supposed to be an international consortium with the participation of other countries and international companies

<sup>64</sup> See, <http://www.adb.org/sites/default/files/project-document/73061/44463-013-reg-tar.pdf> and U.S. Energy Information Administration, India-Analysis



long-term purchase agreements in the past few years. India signed agreements to receive supply from Australia's Gorgon LNG terminal and several U.S. terminals (Sabine Pass, Cove Point, and Main Pass) and from the portfolio of various global LNG suppliers such as BG, GDF Suez, Gas Natural Fenosa, and Gazprom. While the Indian companies have been actively involved in pursuing overseas upstream oil and gas, OIL has invested in gas projects in Canada (Pacific Northwest LNG) and an offshore gas project jointly with ONGC in Mozambique to secure LNG import for India.

ONGC Videsh Limited (OVL), overseas investment arm of ONGC, has presence in oil and gas fields in sixteen countries including Vietnam, Russia, Libya, Syria, Iran, Iraq, Sudan, US and Myanmar. OVL holds 17% PI (Participating Interest) in Myanmar's upstream Blocks A1 & A3<sup>65</sup> and offshore mid-stream Pipeco-1. OVL also hold 8.37% PI in onshore pipeline Pipeco-2. These blocks are located around 110 km west of Ramree Island in Rakhine state in a water depth ranging up to 1500.

The Block A-1 extends over an area of 2,129 sq. km of Rakhine Coast in Arakan offshore in north-western Myanmar. The best estimate certified by an independent firm, the total GIIP of the fields is 4.083 TCF and recoverable reserve is 3.143 TCF. The commerciality was declared on 1<sup>st</sup> November 2009 and the project entered into development phase. Out of 16 (8 exploratory and 8 appraisal) wells drilled, 9 were found gas bearing. Block A-3, which is adjacent to Block A-1, covers presently an area of 3,441 sq km. The drilling of 4 subsea Development wells in Myanmar successfully completed on 5<sup>th</sup> October 2011. The Development Scheme for both the Blocks involves drilling of 24 development wells and 1 condensate reinjection well, processing and compression in Offshore, transportation to shore through an offshore pipeline of 110 km in length. The OVL's share of investment in the mid-stream project was about US\$ 265.637 million and 127.633 million for Block A-1 and A-3 respectively.

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<sup>65</sup> OVL and GAIL hold a participating interest of 17% and 8.5%, respectively, in the A1 and A3 blocks, with the remaining stakes held by Daewoo at 51%, Korea Gas Corporation at 8.5% and Myanmar Oil & Gas Enterprise (MOGE) at 15%. <http://archive.financialexpress.com/news/china-corners-cheap-ovl-gail-gas-from-myanmar-india-cut-out-of-deal/1159966/2>

The mid-stream project Shwe Offshore Pipeline Joint Venture Company (Pipeco), which is a part of the combined development of A-1 and A-3 blocks, have been completed through an EPCIC (Engineering, Procurement, Construction, Installation & Commissioning) contract which included construction of offshore pipeline of 110 km X 32" from Shwe Offshore Platform to land fall point at Ramree Island, onshore gas terminal, supply base and jetty. However, in a paradoxical situation OVL and GAIL India along with its international partners are selling gas from two of their Myanmar blocks A1 and A3 to Chinese consumers at \$9 per mmBtu (million metric British thermal unit).<sup>66</sup>

In Vietnam's Block 06.1, which is an offshore Block located in the Nam Con Son Basin, approximately 370 km South-East of Vung Tau on the Southern Vietnamese coast, OVL carried out the initial exploration and farmed out 30% PI to BP and 15% to Statoil in 1992 with BP as Operator. The consortium discovered non associated natural gas in commercial quantities and desired to incorporate the commercial terms into the PSC (Production Sharing Contract) through a supplemental agreement in 2000. In supplemental agreement the term of the PSC, including two five year extensions, was extended to 35 years from the effective date, i.e., till 2023. OVL acquired stake in Russia's Sakhalin-1 field in July, 2001. OVL holds 20% PI in the field with Exxon holding 30% PI as Operator. The project includes three offshore fields: Chayvo, Odoptu, and Arkutun Dagi. In the first phase of Sakhalin-1, Chayvo field has been developed and production started from October 2005 and Odoptu first state production started in September 2010. OVL share of production from the project was 0.650 BCM of gas during 2012-13.

### **India's Nuclear Energy**

India nuclear power generation program has indigenous programme and it is inflating as years pass by and need and proportion of energy mix keep changing. India has had a long

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<sup>66</sup> In comparison, India pays \$12-15/mmBtu for spot LNG cargoes at present. Gas from the two Myanmar blocks is transported through a 870-km cross-border pipeline to China.  
<http://archive.financialexpress.com/news/china-corners-cheap-ovl-gail-gas-from-myanmar-india-cut-out-of-deal/1159966/1>

commitment to nuclear energy since the establishment of the Atomic Energy Commission in 1948 and the Department of Atomic Energy in 1954. India was one of the few countries to achieve the complete fuel cycle – from uranium exploration, mining, fuel fabrication and electricity generation, to reprocessing and waste management – by the 1970s<sup>67</sup>. India's nuclear industry is viewed with strong pride and considered an instrument to achieve “energy independence,” “fossil fuel-free future” or “self-sufficiency.”<sup>68</sup> However, India's nuclear power capacity remains small despite continuous commitment and advances in indigenous technology. India's current nuclear generation capacity is 4.8 GW and ranks 13th in the world, which account for only 1.2% of global nuclear capacity.<sup>69</sup> The share of nuclear was 1% in India's total energy mix in 2009 and 2% in electricity generation capacity in 2012. This is the result of India's long isolation from the global nuclear energy regime and its emphasis on a thorium-based nuclear development programme. Nuclear energy could play a critical role in addressing India's energy challenges, meeting massive energy demand potentials, mitigating carbon emissions and enhancing energy security through the reduction of dependence on foreign energy sources. This is why India remains devoted to nuclear power even after the Fukushima-Daiichi accident in 2011.<sup>70</sup> Atomic Energy Act 1962 empowers the central government with the exclusive authority for all nuclear-related activities, including controlling its uranium and thorium resources, developing atomic energy industry, setting tariffs for electricity generated from nuclear plants and waste disposal.<sup>71</sup>

### Three-Stage Nuclear Power Programme

India's three-stage nuclear programme was approved by parliament in 1958 and developed by Dr. Homi Bhabha, the first Chairman of the Atomic Energy Commission, who is widely known as the father of India's nuclear programme.<sup>72</sup> The three-stage

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<sup>67</sup> Sethna, H.N. (1979), “India's Atomic Energy Programme – Past and Future”, *IAEA bulletin*, vol 32, no 5, 1979, Vienna.

<sup>68</sup> See, Kalam, Abdul (2011), former President of India, in address during 21st SMIRT Conference, [www.dae.gov.in/press/pr071111.pdf](http://www.dae.gov.in/press/pr071111.pdf) and Sethna (1979)

<sup>69</sup> WNA (World Nuclear Association) (2012), London, <http://world-nuclear.org>

<sup>70</sup> PMO (2012), “PM's statement at the Plenary of the Nuclear Security Summit”, 27 March, New Delhi.

<sup>71</sup> DAE (Department of Atomic Energy) (1962), *The Atomic Energy Act, 1962*, Mumbai.

<sup>72</sup> Suryanarayan, V. (2010), “Reflection on India's Nuclear Policy during the Nehru Era,” *South Asia Analysis Group*, Paper no. 3711.

strategy aimed to utilise India's vast thorium reserves, an approach that is still valid today<sup>73</sup>:

- First stage: Pressurised Heavy Water Reactors (PHWRs), fuelled by natural uranium.
- Second stage: Fast Breeder Reactors (FBRs) backed by reprocessing plants and plutonium-based fuel fabrication plants, fuelled by mixed oxide of Uranium-238 and Plutonium-239. With sufficient inventory of plutonium, thorium can be converted to fissile isotope U-233.
- Third stage: Thorium generated U-233 cycle using Advanced Heavy Water Reactor (AHWR), which generates a large amount of energy.

India has so far reached the commercial maturity of the first stage and is moving into the second stage.<sup>74</sup>The country's first-of-its-kind 500 MWe prototype Fast Breeder Reactor (PFBR), was constructed at Kalpakkam, Tamil Nadu for operation in 2013.<sup>75</sup>Nuclear capacity is envisioned to reach 20 GW by 2020. India also aims to develop a thorium-based demonstration plant and a full prototype before 2050. India has plans to increase its nuclear capacity of 14,600 MWe by 2020 and supply 25 percent of electricity from nuclear power by 2050<sup>76</sup>.

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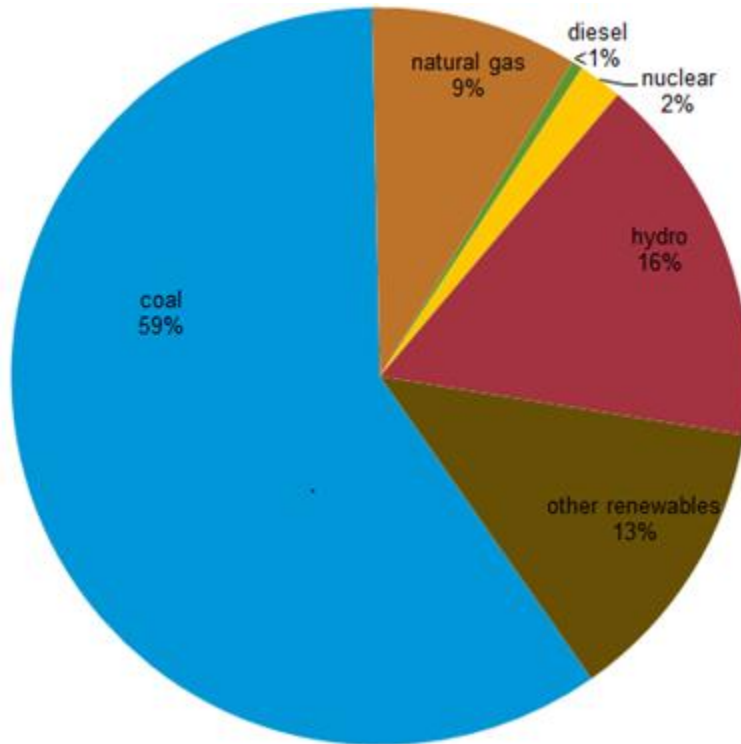
<sup>73</sup> NPCIL (Nuclear Power Corporation of India Limited) (2008) Dr. S.K. Jain "Nuclear Power – An alternative", [www.npcil.nic.in/pdf/nuclear%20power-%20an%20alternative.pdf](http://www.npcil.nic.in/pdf/nuclear%20power-%20an%20alternative.pdf).

<sup>74</sup> Ibid

<sup>75</sup> Raj, Baldev (2009), "An Approach to Energy Sustainability", CAETS 2009 Calgary – July 15. Also see, DAE (2012a), *Annual Report 2011-12*, Mumbai.

<sup>76</sup> Nuclear Power in India, see, <http://www.world-nuclear.org/info/Country-Profiles/Countries-G-N/India/>

Figure 3.5 - India's Installed Power Capacity



Source: EIA-Energy Information Administration: Energy Overview Report-India. See, <http://www.eia.gov/countries/analysisbriefs/India/india.pdf> . Note: Includes utility based power facilities, not captive power plants.

India's primary energy consumption between 1992 and 2012 more than doubled to nearly 25,000 PJ. Electricity demand has been increasing rapidly thanks to its robust economic growth during this period and 1128 billion kilowatt hours (TWh) gross produced in 2012 which was more than triple the output that was achieved in 1990<sup>77</sup>. The target to up the production and increase the output since about 2004 has been for nuclear power to provide 20 GWe by 2020, but in 2007 the then Prime Minister referred to this as "modest" and stated to be "capable of double the output with the opening up of international cooperation"<sup>78</sup>.

<sup>77</sup> Nuclear Power in India, see, <http://www.world-nuclear.org/info/Country-Profiles/Countries-G-N/India/>

<sup>78</sup> Ibid

**Table 3.13 - India's Operating Nuclear Power Reactors**

Reactor	State	Type	MWe net, each	Commercial operation	Safeguards status*
Tarapur 1&2	Maharashtra	GE BWR	150	1969	Item-specific, Oct 2009
Kaiga 1&2	Karnataka	PHWR	202	1999, 2000	nil
Kaiga 3&4	Karnataka	PHWR	202	2007, 2012	nil
Kakrapar 1&2	Gujarat	PHWR	202	1993, 1995	December 2010 under new agreement
Madras 1&2 (MAPS)	Tamil Nadu	PHWR	202	1984, 1986	nil
Narora 1&2	Uttar Pradesh	PHWR	202	1991, 1992	Due in 2014 under new agreement
Rajasthan 1&2	Rajasthan	Candu PHWR	90, 187	1973, 1981	Item-specific, Oct 2009
Rajasthan 3&4	Rajasthan	PHWR	202	1999, 2000	March 2010 under new agreement
Rajasthan 5&6	Rajasthan	PHWR	202	Feb & April 2010	Oct 2009 under new agreement
Tarapur 3&4	Maharashtra	PHWR	490	2006, 2005	nil
Kudankulam 1	Tamil Nadu	PWR (VVER)	917	(January 2015)	Item-specific, Oct 2009
<b>Total (21)</b>			<b>5302</b>		
			<b>MWe</b>		

Source: <http://www.world-nuclear.org/info/Country-Profiles/Countries-G-N/India/>

Madras (MAPS) also known as Kalpakkam. Rajasthan/RAPS is located at Rawatbhata and sometimes called that Kaiga=KGS, Kakrapar=KAPS, Narora=NAPS

### US-India Civil Nuclear Agreement 2008

Until recently, India has isolated itself from the global nuclear industry and technology. The origin of this isolation goes back to when India conducted its first nuclear weapon test in 1974 and another underground test in 1998. India has remained outside of the Non-Proliferation Treaty (NPT), viewing the NPT regime as infringement to its sovereignty<sup>79</sup>.

<sup>79</sup> This position was reiterated in Prime Minister's speech in 2009- "It is of no question that India joins the NPT as a nonnuclear-weapon state" - and the NPT regime prohibits a non-NWS from receiving whatsoever of nuclear weapons or manufacturing or acquiring nuclear weapons or other nuclear explosive devices. In Ahn, Sun-joo and Dagmar Graczyk (2012), p. 81

This conviction had resulted in enormous repercussions, both geopolitical and economic, including the exclusion of the Indian nuclear industry from Nuclear Suppliers Group (NSG), a global regime banning supply of nuclear fuel, technology and equipments to non-signatories of the NPT. Without access to mainstream nuclear materials and technologies, and due to its thorium-based nuclear programme, India's nuclear industry has experienced rather limited development as a result.

The India-US nuclear deal in 2005 was a breakthrough in India's nuclear programme. The joint statement between President George W. Bush and Prime Minister Manmohan Singh was agreed in 2005, but this deal soon stirred domestic and international criticism, especially in the context of the United States' anti-proliferation policy. In 2008, the NSG granted a waiver to India, allowing it access to civilian nuclear technology and nuclear fuel from other countries, thus ending India's long isolation from the international nuclear market. Subsequently that year, the US-India Civil Nuclear Agreement 2008, which is called as "123 Agreement", was ratified in the United States. A number of bilateral cooperation agreements between India and other countries have since followed, including France (2006), Russia (2010) and the United Kingdom (2010).<sup>80</sup>

### **The Civil Liability for Nuclear Damage Act 2010**

The United States, as part of the agreement, had expressed its desire for India to enact a civil liability law as nuclear power imports are not possible without a liability bill that conforms to the criteria set by the international conventions and to clearly define the scope of civil liability in case of a nuclear incident<sup>81</sup>. This measure was proposed to protect private nuclear companies, especially those from the United States, that engage in India's nuclear sector as an outcome of the agreement. The act defined the compensation burden on the operator and the liability of the central government for nuclear damage.<sup>82</sup> However, the Civil Liability Act was criticized because it holds the nuclear suppliers

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<sup>80</sup> DAE (2012c), [www.dae.gov.in](http://www.dae.gov.in)

<sup>81</sup> Balachandran. G (2010), "The Civil Nuclear Liability Bill", IDSA Brief No. 26, p.5, at [http://www.idsa.in/system/files/ib\\_CivilNuclearLiabilityBill.pdf](http://www.idsa.in/system/files/ib_CivilNuclearLiabilityBill.pdf)

<sup>82</sup> TGOI (2010), *The Civil Liability for Nuclear Damage Act 2010*, New Delhi.

liable for a nuclear accident, which is a “sharp deviation” from the international practice that only nuclear operator takes responsibility in case of an accident.<sup>83</sup> For instance, section 17(b) of the act allows the operator the right of recourse against nuclear suppliers if the incident was caused by “supply of equipment or material with patent or latent defects or sub-standard services.”<sup>84</sup> Simply put, the purpose of the Civil Liability for Nuclear Damage Act, 2010 is to ensure that the victims of a nuclear accident can get quick compensation, without having to prove the plant operator was negligent, and irrespective of who was at fault.

### **Installed capacity and targets**

The earliest nuclear power plants were purposely constructed along the western, northern and southern coasts of India, as these regions are far from coal mines and coal transportation was difficult at the time (Sethna, 1979). India has 20 nuclear reactors that operate with a total of 4.8 GW capacity.<sup>85</sup> An additional 4.8 GW capacity was under construction, including two reactors in Tamil Nadu, two in Gujarat and the remainder in Rajasthan (DAE, 2012a). In terms of generated electricity, nuclear represented 4% of total generation in FY 2011/12.<sup>86</sup> The Eleventh Five-Year Plan targeted an additional 3.38 GW of nuclear capacity, of which only 0.88 GW was achieved. This is due to delayed construction of nuclear plants because of public protest and also safety audits undertaken after the Fukushima accident.<sup>87</sup> The Twelfth Five-Year Plan envisages increasing nuclear capacity by 2.8 GW.<sup>88</sup>

### **Nuclear Energy Resource Supply and Policies**

India has limited uranium reserves of 80 000 tonnes or 1.5% of the world's recoverable reserves; the resources are of low grade, however, and located in remote, insecure areas

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<sup>83</sup> CFR (Council on Foreign Relations) (2010), “The US-India Nuclear Deal”, New York.

<sup>84</sup> The Hindu (2010), “New rules give some relief to nuclear suppliers”, 17 November.

<sup>85</sup> CEA (2012g), “Operation Performance Monitoring Division, No.CEA/OPM/PPI/6/1/2011”, New Delhi.

<sup>86</sup> CEA (2012a), *Monthly Report – All India Installed Capacity-State Wise/Utility Wise*, New Delhi, as on 31 March.

<sup>87</sup> BS (2011c), “First phase of Jaitapur nuclear project may be delayed by 1 year,” 15 August.

<sup>88</sup> MOP (2012a), *Working Group on Power – 12th Plan (2012-17)*, New Delhi.



in the eastern states. Based on India's current uranium demand of 937 tU, the uranium R/P ratio would be about 85 years.<sup>89</sup> However, India is known to have the world's fourth largest thorium resource, which however, requires a complex process to convert it to fissile material.<sup>90</sup> In the area of nuclear energy, India is dependent on uranium imports. Sourcing uranium has been the primary goal of India's nuclear energy security as it would have to import from foreign sources to meet the projected target of 20,000 megawatts electricity by 2020, which will not be possible through indigenous fuel supplies which are modest and not of good quality<sup>91</sup>.

In 2008, France became the first country to sign the civil nuclear deal with India, later followed by Russia, Mongolia, Namibia, Argentina, UK, Canada, Kazakhstan and South Korea, after the complete waiver provided by the NSG (Nuclear Suppliers Group).<sup>92</sup> In 2009, the Russians stated that Russia would not agree to curbs on export of sensitive technology to India. A new accord signed in December 2009 with Russia gives India freedom to proceed with the closed fuel cycle, which includes mining, preparation of the fuel for use in reactors, and reprocessing of spent fuel<sup>93</sup>. Another landmark civil nuclear agreement was signed between India and Mongolia, a neighbor of China, on 15th June 2009 for supply of Uranium to India, making it the fifth nation in the world to seal a civil nuclear pact with India (Mishra, 2013: 68). The MOU "development of co-operation in the field of peaceful uses of radioactive minerals and nuclear energy" was signed by senior officials in the department of Atomic Energy of the two countries<sup>94</sup>.

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<sup>89</sup> WNA (World Nuclear Association) (2012), London, <http://world-nuclear.org>

<sup>90</sup> Ibid.

<sup>91</sup> Sharma, Devika (2011), "Before and Beyond Energy: Contextualising the India-Africa Partnership", p.5.

<sup>92</sup> During the December 2010 visit of the French President, Nicholas Sarkozy to India, framework agreements were signed for the setting up to third-generation EPR reactors of 1650 MW each at Jaitapur, Maharashtra by the French company Areva (Chand 2012). Also see, Times of India, "Committed to Nuclear Power Project, India Tells France", at <http://timesofindia.indiatimes.com/india/Committed-to-Jaitapur-Nuclear-Power-Project-India-tells-France/articleshow/17972114.cms>

<sup>93</sup> Russia has also assisted in India's efforts to design a nuclear plant for its nuclear submarine (Chand 2012).

<sup>94</sup> Chand, Smriti (2012), "Agreement on Nuclear Energy that India has signed with different Countries", at <http://www.yourarticlelibrary.com/nuclear/agreements-on-nuclear-energy-that-india-has-signed-with-different-countries/5762/>

On 2nd September, 2009, India and Namibia signed five agreements, including one on civil nuclear energy which allows for supply of uranium from the African country. Namibia is the fifth largest producer of uranium in the world. The Indo-Namibian agreement in peaceful uses of nuclear energy allows for supply of uranium and setting up of nuclear reactors. India and Argentina signed an agreement in New Delhi on civil nuclear co-operation and nine other pacts to establish strategic partnership. For peaceful uses of nuclear energy, both India and Argentina have agreed to encourage and support scientific, technical and commercial co-operation for mutual benefit in this field. India and Canada signed a civil nuclear co-operation agreement in Toronto on 28th June, 2010 which when all steps are taken, will provide access for Canada's nuclear industry to India's expanding nuclear market and also fuel for India's reactors. Canada is the world's largest exporter of uranium and the two countries are the only users of heavy water nuclear technology<sup>95</sup>.

India and Kazakhstan on 16 April, 2011 signed an inter-governmental agreement for co-operation in peaceful uses of atomic energy. The agreement envisaged a legal framework for mutually beneficial cooperation between the two sides in the peaceful uses of nuclear energy including supply of fuel, nuclear medicine, use of radiation technologies for healthcare including isotopes, reactor safety mechanisms, exchange of scientific & research information, construction and operation of atomic power plants, exploration and joint mining of uranium<sup>96</sup>. South Korea became the ninth country to sign a nuclear agreement with India after it got the waiver from the Nuclear Suppliers' Group (NSG) in 2008<sup>97</sup>. On 25th July, 2011 India and South Korea signed a nuclear agreement, as per which South Korea with a legal foundation can participate in India's nuclear expansion programme, and to bid for construction of nuclear power plants in India.

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<sup>95</sup> Ibid

<sup>96</sup> Ministry of External Affairs, see <http://mea.gov.in/bilateral-documents.htm?dtl/4845/Bilateral+agreements+concluded+during+PMs+visit+to+Kazakhstan>

<sup>97</sup> PTI, "India Signs Civil Nuclear Deal with South Korea", at <http://www.ndtv.com/article/india/india-signs-civil-nuclear-deal-with-south-korea-121870>

India and Russia are particularly interested in seeking long-term cooperation arrangements with regard to nuclear power plant development programmes. India's current nuclear power program is expected to reach 20,000 MW in nuclear capacity by 2020, up from 22 billion KW as in 2012. The long-term ambition is to reach a target of 63,000 MW by 2032, which would conversely enable India to generate 25% of electricity from nuclear power by 2050 through a nuclear industry with high indigenous engineering content<sup>98</sup>. As a result of this expansion plan, it is expected that India's demand for nuclear fuel will increase tenfold by 2020, up to 8,000 tons of uranium a year, while doubling its 20 nuclear plant capacity. Russian-Indian nuclear cooperation has a long history. Before the breakup of the Soviet Union, the two countries signed a nuclear cooperation deal in 1988, updated a decade later, and extended with other agreements, like the 2002 agreement for the construction of two nuclear reactors by Russia at Kudankulam, Tamil Nadu<sup>99</sup>. India-Russia summits have opened the door to greater Russian involvement in India's nuclear energy field; four additional nuclear reactors are being planned. As opposed to a section of political analysts opinions the 2008 Civil Nuclear Agreement with the United States, following an accord by the Nuclear Suppliers' Group amidst a dramatic change in the U.S. policy, ended India's nuclear isolation and presented the potential for greater cooperation with the West and even stronger bilateral boost for Indo-Russia relation as Russia still remains the most trusted partner in nuclear energy deals for India.<sup>100</sup> In 2009, India and Russia sealed a breakthrough long-term pact for expanding civil nuclear cooperation that is free from any restrictions on India and guarantees it against any curbs in the future. It was announced that this deal would "ensure transfer of technology and uninterrupted uranium fuel supplies to India's nuclear reactors<sup>101</sup>." Accordingly, Russia made its first Indian uranium delivery in April 2009. During then-Prime Minister Putin's visit to India in March 2010, Russia expanded on its cooperation pact with India with a roadmap agreement providing for up to sixteen nuclear power units to be built in India over the next fifteen years. As Russia's Ambassador to

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<sup>98</sup> See, <http://www.world-nuclear.org/info/inf53.html> cited in Tsan (2012), p. 157.

<sup>99</sup> The Kudankulam plants started up in 2011 amid protests from anti-nuclear groups and the local fishermen community.

<sup>100</sup> Tsan (2012), P. 142

<sup>101</sup> "India, Russia Sign Nuclear Deal," The Times of India, 7 December 2009 at <http://timesofindia.indiatimes.com/india/India-Russia-sign-nuclear-deal/articleshow/5311267.cms>

India Alexander Kadakin had pointed out that this agreement would be a core element of India's plan "to more than quadruple India's nuclear power capacity by 2020—a target outlined by the Indian government<sup>102</sup>." As mentioned earlier, Russia stands to get the most of the benefit out of India's 'nuclear energy liberation' due to the fact that India shares a strong nuclear and defence ties with Russia and Russia has the reputation of having the world's biggest portfolio of orders for the construction of nuclear power plants abroad, which totals \$300 billion<sup>103</sup>. Russia's Rosatom State Nuclear Energy Corporation would build six reactors including one in Haripur and one in West Bengal, by 2017. To mark the nuclear deals lucrative Russia, in 2009, had even offered India the option of participating in the International Uranium Enrichment Center in Angarsk, Siberia, which would guarantee fuel supplies<sup>104</sup>. The Indo-US nuclear deal, NSG waiver, and the U.S. policy of exempting India to maintain its status quo of a non-NPT state while still extending cooperation in the field of civil nuclear energy has opened the door for Russia to cooperate with India without any hurdles as it faced in the past, especially after the Pokhran nuclear test. However, the options for India to extend its cooperation in the field of nuclear energy have become plenty and countries like France and South Korea are in the line to share their expertise in the nuclear field with India.

The ambassador Kanwal Sibal had observed: "the underlying purpose of the Indo-US nuclear deal was to put the India-US relationship on a new footing, remove mutual distrust of the Cold War period, lift the obstacles to India's greater integration with the international system, recognize the value of the long-term relationship with the next big Asian power to rise, exploit the market opportunities in a growing India, and tie up India within evolving global structures superintended by the West<sup>105</sup>." The largest consequence of the 2008 agreement is that after the nuclear deal, India had significantly increased its

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<sup>102</sup> Read, "Russia and India Expand Ties," ITAR-TASS, 20 December 2010, cited in Tsan (2012).

<sup>103</sup> Read, Russia & India Report (2015), "Russia has world's largest portfolio of NPP construction orders totaling \$300 billion", at [http://in.rbth.com/news/2015/09/25/rusia-has-worlds-largest-portfolio-of-npp-construction-orders-totaling-300-bln\\_427913](http://in.rbth.com/news/2015/09/25/rusia-has-worlds-largest-portfolio-of-npp-construction-orders-totaling-300-bln_427913)

<sup>104</sup> "Russia Offers India Role in Uranium Centre Project," The Hindu Business Line, 14 April 2009, at <http://www.thehindubusinessline.com/todays-paper/russia-offers-india-role-in-uranium-centre-project/article1049323.ece>

<sup>105</sup> Kanwal Sibal (2011), "India's Relations with the US and Russia," at <http://www.vifindia.org/article/2011/june/10/India-relations-with-the-US-and-Russia> as cited in Tsan (2012), p.158.

acquisition of foreign nuclear technology and fuel to advance its energy strategy. India's new energy interactions with countries like Kazakhstan, being the world's largest uranium producer, France, U.K, Mongolia and South Africa prove to take India's relationship with these countries to new highs and change the traditional scheme of partnership with these countries.

ENERGY SECURITY IN SOUTH KOREA'S  
FOREIGN POLICY

Chapter

4

**South Korea's Energy Trends**

South Korea is thirteenth largest economy in the world<sup>1</sup> and its unique pattern of economic growth history shows that unlike many of other OECD countries South Korea experienced a robust economic growth after the global financial crisis. It has been maintaining more than 4 percent of growth in the past decade<sup>2</sup>. South Korea relies heavily on exports which make half of its GDP which is why it is the seventh largest exporter<sup>3</sup> and all of these make it an energy-intensive nation and being the eleventh largest energy consuming country in the world it has long been dependent on international energy supply. South Korea's energy security means a national effort to ensure the availability of energy at affordable prices. South Korea's total primary energy supply (TPES) is diverse and mostly dominated by oil and coal while nuclear energy and natural gas satisfy the energy consumption to a lesser extent. Contribution of renewable energy to South Korea's TPES is considerably low; in fact, it is among the lowest in the Organisation of Economic Cooperation and Development (OECD)<sup>4</sup>. South Korea's Industrial sector accounts for more than half of oil consumption due to its large petrochemical industry. Since Korea doesn't have domestic crude oil reserves, the Korea National Oil Corporation (KNOC) which is the upstream sector in South Korea, produces a capacity of 50,000 bbl/d from its overseas production sites. KNOC produced 231,000 bbl/ d and held 1.3 billion barrels of oil and gas reserves through acquisitions of overseas companies and co-operations with major international oil companies<sup>5</sup>.

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<sup>1</sup> IEA 2012 Review-The Republic of Korea p.9

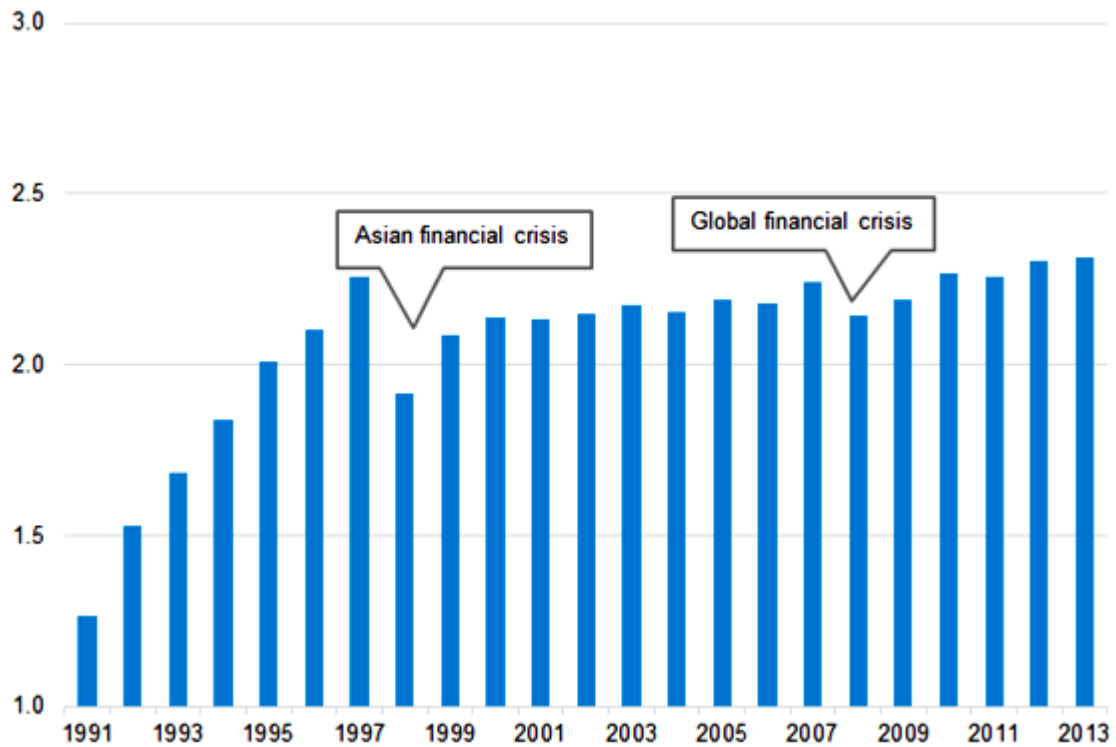
<sup>2</sup> Ibid

<sup>3</sup> World Fact book, Central Intelligence Agency

<sup>4</sup> p.17 International Energy Agency Review 2012

<sup>5</sup> p.4, U.S. Energy Information Administration

**Figure 4.1 South Korea's Oil Consumption, 1991-2013 (mbd)**



Source: U.S. Energy Information Administration, *Overview: South Korea*.

Korea's International oil companies have been focusing on refining and to an extent crude extraction projects in abroad. Korea's energy strategy aims to make it less dependent on oil consumption and use natural gas and nuclear power. Korea's energy diplomacy under the Ministry of Knowledge Economy (MNE) since 2008 had taken a sharp turn by switching from traditional policies, from short-term economic approach to a long-term strategy. Within a gap of two years, between 2008 and 2010, there had been 11 summit meetings between Korea and energy resource countries. Korea's energy security policies aimed to raise the self sufficiency rate in energy sector by 2012 to 18% for crude oil and natural gas. South Korea's self-development rate of crude oil and gas increased 2.9% from 10.8% to 13.7% in 2011<sup>6</sup>.

<sup>6</sup> However, almost none of South Korea's overseas production was shipped back to South Korea till 2012. It received its first crude oil delivery from overseas production only at the end of 2013. P.5, EIA

**Map 4.1 - Map of KNOC's World-wide Operations**



Source: Korea National Oil Corporation, [http://www.knoc.co.kr/ENG/sub03/sub03\\_1\\_5\\_1.jsp](http://www.knoc.co.kr/ENG/sub03/sub03_1_5_1.jsp)

Being a developed and fourth largest economy in the region South Korea has been focusing its foreign policy priorities in accumulating energy resources for its uninterrupted and sustainable economic growth. The end of the Cold War and the relaxed ideological confrontation in international relations led to a shift in the balance of power in the East Asian region<sup>7</sup>. Despite its preoccupation with issues vis-à-vis North Korea, the South began to pay closer attention to global issues, driven by its ever growing reliance on energy supply from energy resources rich countries and global trade. Such reliance on energy resources has pushed South Korea to seek the diversifications of suppliers beyond its region.

<sup>7</sup> This shift meant that the East Asian countries, without jeopardizing their traditional relations with major powers, constructed mutual dialogue and a new regional equilibrium and gradual mutual economic and strategic benefits emerged as a result (Ceuster, Koen De 2005: 68).



## Energy Security in South Korea's Foreign Policy

**Table 4.1 Import Amount of Energy**

Unit: Million \$

YEAR	SUBTOTAL	PETROLEUM				LNG	URANIUM
		Crude	Naphtha	LPG	Others		
1992	12378	9548	1057	596	1177	562	98
1993	12439	9151	1180	601	1506	781	135
1994	12542	8878	1227	600	1837	961	191
1995	15482	10809	1367	896	2409	1275	215
1996	19826	14432	1674	1019	2702	1878	201
1997	22378	17772	1874	1252	1480	2296	236
1998	14284	11241	1780	694	568	1549	214
1999	18585	14783	1970	1029	804	1973	222
2000	31594	25216	3396	1467	1516	3882	225
2001	27323	21368	3255	1219	1481	3990	233
2002	25414	19200	3084	1248	1883	4120	280
2003	30407	23082	4122	1338	1865	5082	265
2004	38274	29917	5552	1509	1295	6552	336
2005	52321	42606	6543	1933	1240	8646	286
2006	67984	55865	8143	2560	1416	11925	339
2007	75390	60324	10683	3097	1286	12653	489
2008	108130	85855	15395	4741	2139	19806	729
2009	66568	50757	10687	3046	2078	13875	722
2010	90903	68662	14953	4313	2975	17006	615
2011	129346	100806	18861	5657	4023	23859	807
2012	140671	108298	20498	5576	6299	27364	695

Source: Government of Republic of Korea, Yearbook of Energy Statistics 2013, Ministry of Trade, Industry and Energy.

It imports 97% of its energy needs from abroad due to lack of domestic energy resources. South Korea is the world's fifth and Asia's third largest crude oil importer<sup>8</sup> for which it depends highly on the West Asia for oil supply. Though, during the first couple of decades after the establishment of the Republic of Korea (South Korea), West Asia did

<sup>8</sup> South Korea Overview- U.S. Energy Information Administration, [http://www.eia.gov/countries/analysisbriefs/South\\_Korea/south\\_korea.pdf](http://www.eia.gov/countries/analysisbriefs/South_Korea/south_korea.pdf)

## Energy Security in South Korea's Foreign Policy

not figure in South Korea's interests, with the robust economic development of South Korean economy, significance of West Asia grew remarkably in South Korea's energy calculus.

**Table 4.2 - Crude Oil Supply from West Asia**

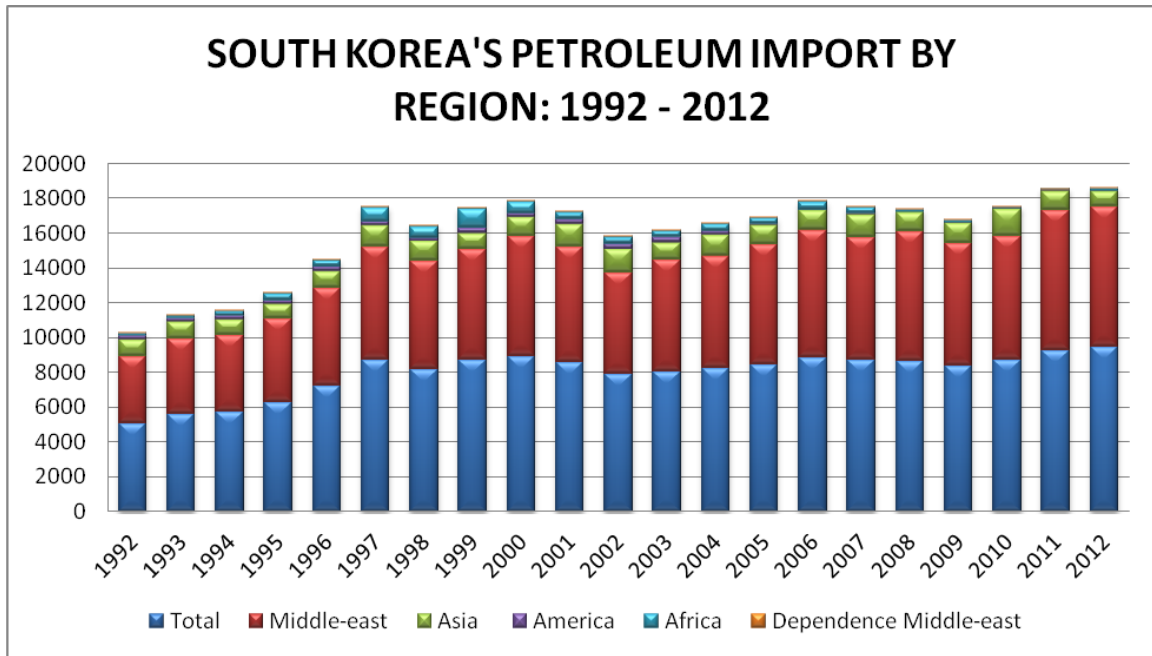
YEAR	TOTAL	MIDDLE EAST (West Asia)	SAUDI ARABIA	UAE	IRAN	KUWAIT	OMAN	QATAR	IRAQ
1992	509378	380452	155104	53206	61276	14372	73725	14505	-
1993	560563	430839	172413	57576	76057	29334	69557	14404	-
1994	573714	439332	177619	48598	82828	27239	48381	14352	-
1995	624945	486528	226863	70536	68314	25233	55131	10871	-
1996	721927	561098	252665	91620	78067	41134	57413	14424	-
1997	873415	645678	267888	127395	82192	55091	50197	35241	-
1998	819094	622005	234450	122022	67502	66894	57195	34879	4992
1999	874090	632067	241747	117405	81944	53284	56001	37301	7242
2000	893943	686916	264925	128064	81251	66627	46632	45722	17819
2001	859367	661649	255432	128405	80413	64407	53639	42157	3201
2002	790992	579865	240765	105905	51512	56996	42053	35330	3759
2003	804809	639453	250473	138869	63682	65885	40927	46780	1931
2004	825790	645183	253849	145598	64974	64659	32832	45581	11358
2005	843203	689356	249337	150608	70767	76679	38799	53122	14972
2006	888794	730843	261563	158865	75058	92620	36273	49871	15401
2007	872541	704020	249887	141887	85793	94031	14760	46088	46590
2008	864872	746458	262637	158109	73016	104593	16670	64402	41227
2009	835085	705363	254799	114592	81437	100090	17507	53673	62494
2010	872415	713647	276787	105656	72605	103079	12152	64362	59956
2011	927044	807902	291348	87234	87184	117370	16715	93146	89242
2012	947292	805971	303049	86536	56146	137647	8761	103825	93122

Source: Compiled from *Yearbook of Energy Statistics 2013*- Korea Energy Economics Institute, p. 80.

Oil is the primary energy consumption in Korea with 41%<sup>9</sup> while coal is 27%, Nuclear & Hydro 17%, Natural gas 14% and renewable less than 1% in 2012. Korea's oil import is 87% relied upon West Asian suppliers while another 6.6% comes from Asia, 3.5% from Russia and 1.5 from Australia.

<sup>9</sup> However the contribution of oil to energy supply has declined compared to 2000 while liquefied natural gas' (LNG) contribution to energy supply has increased significantly to 41.6 Mtoe from 17 Mtoe in 2000. Coal and nuclear energy contribution as a proportion has also seen steep increase by 90.2% and 37.8% respectively since 2000. IEA Review 2012, P. 18

Figure 4.2 - South Korea's Petroleum Import By Region 1992-2012



Source: Yearbook of Energy Statistics 2013- Korea Energy Economics Institute

### West Asia and South Korea's Energy Security

If we break down the contributing supply countries from the West Asian region Saudi Arabia tops the list as a single largest source of oil supply with 33%, Kuwait supplies 14%, Qatar 10%, United Arab Emirates 10%, Iraq 9% and Iran 9%<sup>10</sup>. What purely influenced South Korea's foreign policy towards the West Asian region was South Korean economy linked to the region. Any political and military policy considerations of South Korea was heavily influenced by its economic considerations linked to the region which understandably prevented South Korea to pursue any policy that would put its assets accumulated in the region in danger<sup>11</sup>. West Asia and North Africa became a potential target for the expansion of Korean construction companies and a vital source of energy for a sustainable economic growth of South Korea. West Asia's oil boom gave more construction opportunities to South Korean companies' experienced and cheap

<sup>10</sup> South Korea reduced its crude oil purchase from Iran in 2013 by almost 50% from the total supply. It halted shipments from Iran in 2012 to comply with sanctions imposed by the United States. However, after South Korea was granted a waiver it resumed imports from Iran but at a lower level compared to pre-sanction period. EIA, p.3 [http://www.eia.gov/countries/analysisbriefs/South\\_Korea/south\\_korea.pdf](http://www.eia.gov/countries/analysisbriefs/South_Korea/south_korea.pdf)

<sup>11</sup> Levkowitz, Alon (2012), "Korea and the Middle East Turmoil: A Reassessment of South Korea-Middle East Relations", p.226.

labor, minus any political or ideological background and agenda of their own, which were capable of building large-scale projects.

**Table 4.3 - South Korea's Total Trade with West Asian Countries 1965-1979 (in million US\$)**

State	1965-1969	1970-1974	1975-1979
<b>United Arab Emirates</b>	0	3.8	265
<b>Iran</b>	0	146	1359
<b>Iraq</b>	0	1.2	154
<b>Kuwait</b>	99	558	4666
<b>Libya</b>	0.1	18	103
<b>Oman</b>	0	0.09	29
<b>Qatar</b>	0	0.094	29
<b>Saudi Arabia</b>	26	1053	7728

Source: Levkowitz, Alon (2012), "Korea and the Middle East Turmoil: A Reassessment of South Korea-Middle East Relations", p. 228

However, South Korea's test of foreign policy came through its relations with Israel. Though South Korea's relation with the Arab West Asian countries flourished, its relationship with Israel was becoming more complicated. Israel established formal diplomatic relations with South Korea in 1961<sup>12</sup>; however this did not grow strongly due to the region's political issues. The oil embargo in the mid-1970s, the Arab boycott on any company that forged trade relations with Israel increased South Korea's risk of jeopardizing its energy supply and economic growth which resulted in South Korea's abstinence from maintaining diplomatic and economic relations with Israel.

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<sup>12</sup> Israel was one of the first countries to establish diplomatic relations with South Korea. Israeli Prime Minister David Ben-Gurion favoured sending defense force of Israel in support of South Korea during Korean War, but instead provided food and medical supplies worth \$ 100,000 and also played an active role in the UN to end the Korean War. p. 158, Heo Uk, Terence Roehrig (2014), *South Korea's Rise: Economic Development, Power, and Foreign Relations*, Cambridge University Press: Cambridge.

**Table 4.4 - South Korea's Total Trade with Israel 1980-1994**

State	1980-1984	1985-1989	1990-1994
<b>Israel</b>	131	32	674

Source: Levkowitz, Alon (2012), "Korea and the Middle East Turmoil: A Reassessment of South Korea-Middle East Relations, p. 230

South Korea's West Asia policy of that time was reflected and conveyed through a government statement in December 1973 which stated

- International conflicts should be resolved only through peaceful negotiation and not through any means of force and any acquisition of territory by force should not be tolerated.
- For the settlement of the conflict Israel should withdraw its troops from the Arab territories that the Jewish state occupied during the 1967 war
- The fair claim of the national rights of the Palestine people should be respected and acknowledged
- Sovereignty, independence, territorial integrity and right to live in peaceful manner of all the countries of the West Asia should be respected

This South Korean government statement which per se is its foreign policy direction for the West Asia of that time had resulted in fetching South Korea 90 percent oil supply and many construction projects from Arab West Asia states<sup>13</sup>. In 1978, Israel closed its embassy in South Korea as the latter was supporting Palestine in the wake of 1973 oil crisis<sup>14</sup>. The relation between Israel and South Korea improved to a level that Israel opened its embassy in Seoul in 1992 which was reciprocated by South Korea a year later.

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<sup>13</sup> P.9, *Israel-South Korea Relations: Republic of Korea's complicity in Israel's occupation, colonialism and Apartheid*, Palastine Peace and Solidarity, Seoul, <http://pal.or.kr/data/Israel-South-Korea-Relations.pdf> and Gatav Oyunbileg (2014), *Foreign Policy of Developmental State: South Korean Foreign Policy Role During the First Oil Crisis*, Kookmin University, Seoul, p. 8, [http://www.gdn.int/admin/uploads/editor/files/Best%20Submission%20Woman%20Researcher\\_104\\_Oyunbileg%20Gatav.pdf](http://www.gdn.int/admin/uploads/editor/files/Best%20Submission%20Woman%20Researcher_104_Oyunbileg%20Gatav.pdf)

<sup>14</sup> Israel asked South Korea to open an embassy in Israel which was turned down by South Korea.

Series of events helped for this to happen. This change of approach can be attributed to the following factors;

- South Korea's search for alternative markets as the Gulf War devastated the economies of the Arab oil empires.
- South and North Korea's membership to the United Nation in 1991.
- Pressure from the U.S to improve its ties with Israel
- End of boycotts against Israel by Saudi Arabia, Kuwait and other Gulf states<sup>15</sup>.  
The reinvigoration in the ties between South Korea and Israel was also aided by the progress made in relation between Israel and Palestine through Oslo Accords<sup>16</sup>.

**Table 4.5 - South Korea's Total Trade with Israel, West Asia and North African Countries 1992-2012 (in million US\$)**

Country	1992	2012
<b>Israel</b>	195.6	2,393.6
<b>Iran</b>	1,625	14,801
<b>Iraq</b>	15.0	12,093.5
<b>Kuwait</b>	640.8	19,881.3
<b>Libya</b>	170.9	1,828.6
<b>Oman</b>	1,383.1	6,229.3
<b>Qatar</b>	375.0	26,234.6
<b>Saudi Arabia</b>	4,738.4	48,819.1
<b>United Arab Emirates</b>	2,088.8	21,977.0
<b>Total</b>	11,233.5	154,258

Source: Heo Uk, Terence Roehrig (2014), p. 156

So, South Korea's policy towards this region made sure that its economic interest is not in jeopardy in any political turmoil in the region. Even during the Iran-Iraq war and Gulf

<sup>15</sup> p. 158, Heo Uk, Terence Roehrig (2014)

<sup>16</sup> Oslo accords signed in 1993 and 1995 and the following ease of tension between Arab Middle East states and Israel paved way for South Korea to shed off its fear of Arab world employing the boycott in the event of improved relations with Israel

Wars, Korea wanted to make sure that its trade relations with conflicting countries continue without any hiccups. During the first Gulf War in 1990 South Korea's policy was in a dilemma whether to comply with the U.S. request to send military forces against Iraq by joining the collective security action by the United Nations Security Council (UNSC) which would have reminded it of the situation during the Korean War in 1950 in which the U.S. fought for South Korea. South Korea's dilemma was if it were to join the combat would it antagonize the Arab world for taking sides politically and eventually affect its trade relations with Arab West Asian states. But due to the overwhelming global support to the UN forces, South Korea decided to send its forces to the Persian Gulf. However, it sent 341 soldiers for logistic assistance and not to participate in combat for it would save its face as a "relatively ideal neutral" country<sup>17</sup>.

Another foreign policy challenge to South Korean for the West Asian region came in the form of U.S. invasion of Iraq in 2003, but unlike the 1991 Gulf War the international legitimacy was limited in this U.S. war on Iraq. South Korea was in a catch 22 situation. The growing anti-American public sentiment<sup>18</sup> within South Korea and the limited legitimacy of the war on Iraq had put South Korea in a fix. However, given the situation that President Roh Moo Hyun posed an image that he would be more assertive with the United States concerning alliance issues and resolve North Korean nuclear issue through dialogue sending troops to Iraq seemed to pose a threat to U.S.- South Korea alliance. However, South Korea dispatched 3,500 soldiers<sup>19</sup>, the Zaytun Division, to non-combat zoned in Irbil and Krkuk<sup>20</sup>.

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<sup>17</sup> p.11, Levkowitz, Alon (2013), "South Korea's Middle East Policy", *Mideast Security and Policy Studies*, 106: pp. 1-32

<sup>18</sup> A U.S. Army armoured vehicle-launched bridge struck and killed two 14-year-old South Korean schoolgirls, Shin Hyo-sun and Shim Mi-seon on June 13, 2002 and in the following court martial trial the American soldiers involved in the act were found not guilty of negligent homicide which inflamed anti-American sentiment in South Korea.

<sup>19</sup> This was the third largest foreign force in Iraq after the U.S. (192,000) and the United Kingdom (45,000). See, A Timeline of Iraq War, Troop Levels, [http://www.huffingtonpost.com/2008/04/07/a-timeline-of-iraq-war-tr\\_n\\_95534.html](http://www.huffingtonpost.com/2008/04/07/a-timeline-of-iraq-war-tr_n_95534.html) and "Great Britain and the International Coalition in Iraq", <http://www.heritage.org/research/lecture/great-britain-and-the-international-coalition-in-iraq>

<sup>20</sup> P.11, Levkowitz, Alon (2013), "South Korea's Middle East Policy", *Mideast Security and Policy Studies*

In the wake of West Asia and North Africa crisis, the new surge of democratization that began with Tunisia's Jasmine Revolution in December 2010, which resulted in its spread across Egypt, Yemen, Libya and Syria, which ensued the so-called Arab Spring, South Korea's policy was to maintain the status-quo as far as the economic activity is concerned. The 'Arab-Spring' not only threatened the very security of thousands of South Korean workers<sup>21</sup> in the region, but also the prospects of the Korean construction companies that were based in the West Asia and North Africa especially in Libya. Libya is a major business partner to South Korea and the South Korean companies accounted for one-third of all foreign business in Libya in 2011 according to the Korea Trade Promotion Agency (KOTRA), working on projects with \$36.4 billion. In such a grave situation, South Korea recognized the Libyan rebels' National Transitional Council (NTC) as "the legitimate governing authority representing the Libyan people"<sup>22</sup>.

South Korea was also concerned about the ensuing impacts the region and its implications on the cost of regional oil supply which drove it to have a contingency plan for its oil supply by considering importing oil from unaffected countries of West Asia, Central Asian states, or even Russia<sup>23</sup>. Though there was high voltage concerns on the stability in the West Asia caused by the 'Arab Spring', the same did not prevent the Korean companies from adventuring for more projects in West Asia. KOTRA's estimation of South Korea's share of reconstruction as high as \$40 billion given the market share Korean firms had at that point of time was a boost for South Korean government to take appropriate diplomatic policy to favour South Korean business in the war rampaged country where the estimate the cost of rebuilding Libya was projected at a whopping \$120 billion<sup>24</sup>.

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<sup>21</sup> The South Korean government took all the efforts to protect overseas Korean by evacuating 1400 workers working on 300 different building sites and rescuing crew members of the 'Samho Dream' Vessel, conducting the emergency evacuation of its nationals from Egypt and Libya.

<sup>22</sup> in August 2011, South Korean Ministry of Foreign Affairs and Trade announced that it would deliver humanitarian aid worth \$1 million additional to \$ already been donated to the NTC through the World Food Program. See

<http://edition.cnn.com/2011/WORLD/asiapcf/08/24/libya.south.korea.construction/>

<sup>23</sup> Levkowitz (2013) p. 18,

<sup>24</sup> Paula Hancocks, "Korea States Claim in post-Ghadafi Libya", 24 August, 2011  
<http://edition.cnn.com/2011/WORLD/asiapcf/08/24/libya.south.korea.construction/>



The “Arab Spring” did not affect the South Korean companies securing the largest amount of orders from Saudi Arabia. In 2012, Hyundai Rotem Co. got the order to supply railcars to Egypt which was worth \$353 million, LS Cable and System won the order worth \$110 million to supply large cables in three West Asian countries Kuwait, Saudi Arabia and Qatar<sup>25</sup>, Samsung Engineering secured a whopping \$2.47 billion deal from the United Arab Emirates<sup>26</sup>, and Hyundai Engineering & Construction Co. won \$1.5 billion alumina refinery order in Saudi Arabia.

All said and done, the biggest concern for South Korea was the stability of oil and gas exporting countries within the West Asian region such as Saudi Arabia, Oman, Kuwait, and Iran as any threat to their stability would directly affect South Korea's economic interest as they share the major portion of oil and gas supply to South Korea<sup>27</sup>. But, given the U.S. terms with Iran any stability in this country would not have attracted U.S. intervention and further worsening South Korea's energy concerns.

### **Energy and Policy towards Central Asia**

Central Asia's importance as geopolitical and geo-economic player stems from the very nature of its location. It holds high strategic importance in terms of military and security perspectives as it is located in the Eurasian Continent between Asia and Europe. The other main reason for its importance is the amount of oil and gas resources that the region has and which is why it is aptly called “the second Middle East”<sup>28</sup> South Korean government had been taking initiatives to address its energy needs through relations with Central Asia, especially the Commonwealth of Independent States (CIS) through two major channels of aid and Memoranda of Understanding<sup>29</sup>. South Korea opened embassies and Cultural Centers in many CIS capitals in the aftermath of the Cold War and steadily increased interaction from 1996. South Korea's interest in Russia's resources

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<sup>25</sup> “LS Cable wins US\$110 mln Mideast power cable order”, URL:

<http://english.yonhapnews.co.kr/search1/2603000000.html?cid=AEN20120322001800320>

<sup>26</sup> [“Overseas construction orders to US\$30 bln in H1”,

URL:<http://english.yonhapnews.co.kr/search1/2603000000.html?cid=AEN20120701002200320>

<sup>27</sup> Also, South Korea's trade with these four countries reached \$46 billion in 2009. Levkovitz 2012, p. 10

<sup>28</sup> Hak, Yoon Sung (2009), p. 3, “Strategic Opportunities for South Korean Development of Energy Resources in Central Asia”, Working Paper Series 09-02, The US-Korea Institute-SAIS, Washington DC.

<sup>29</sup> p.72, SAIS U.S.-Korea Year Book 2012, U.S.-Korea Institute, Washington DC.

and business were thwarted by the unexpected license expirations for foreign firms after President Vladimir Putin came to power in 1999 which resulted in Seoul deciding to follow firms like LG and “utilize their advantage in Central Asian countries”<sup>30</sup>. Major oil and gas companies have been actively pushing forward oil exploitation projects in the region.

**Table 4.5 - Proven Oil and Natural Gas Reserves of Central Asian Countries (2012)**

	Oil			Gas		
	Proven Reserves (Thousand Million Barrels)	Share of Total Global Portion %	Reserves-to-Production Ratio 2012	Proven Reserves (Trillion Cubic Meters)	Share of Total Global Portion %	Reserves-to-Production Ratio 2012
<b>Azerbaijan</b>	7.0	0.4%	21.9	0.9	0.5%	54.3
<b>Kazakhstan</b>	30.0	1.8%	46.0	1.5	0.8%	82.5
<b>Turkmenistan</b>	0.6	*	7.1	17.5	9.4%	~
<b>Uzbekistan</b>	0.6	*	25.9	1.1	0.6%	19.7

Source: Extracted from BP Statistical Review of World Energy June 2014, p. 6. \* Less than 0.05%. ~ More than 100 years.

President Roh Moo-hyun made a state visit to Uzbekistan in 2005 as a step to intensify diplomatic relations with energy-rich countries. It laid the groundwork for advancing the Agreement on Energy Cooperation between South Korea and Uzbekistan and to widen the areas of mutual cooperation in energy and resources. With the South Korean government in the lead to procure energy resources, the KNOC together with the Korea Federation of Small and Medium Businesses signed an MOU with Uzbekistan National Oil Company<sup>31</sup> concerning cooperation in development projects in the Aral sea which is estimated to have a gas depository of 8 trillion cubic feet<sup>32</sup>.

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<sup>30</sup> Ibid., 73.

<sup>31</sup> Diplomatic White Paper, 2005, MOFAT, 9. 189

<sup>32</sup> Korea Resources Corporate and Uzbekistan State Committee on Geology and Mineral Resources also concluded an MOU with plans to set up a joint venture on the development of the Jantuar uranium deposits for about 26,000 tons.

## Energy Security in South Korea's Foreign Policy

South Korea's attraction towards Kazakhstan's energy resources has resulted in the Korea Oil Corporation, Samsung, LG, SK, and Daesung forming a consortium which has energetically sought to exploit oil fields in the Caspian Sea and on land. In 2004, then South Korean President Roh Moo-hyun's visit to Kazakhstan resulted in the negotiation on a basic contract for the exploitation of oil fields in the Zambil Region (Hak, 2009: 7). In further development in exploiting the energy resources LG had secured 50 percent of the Egizkara Oil Field's total shares which is estimated to have the reserves of 200 million barrels and in cooperation with Serim, KS Energy has also secured the exploitation of two oil fields in Kazakhstan and started the exploration there (Hak, 2009: 7). In 2006, the Korea Oil Corporation discovered a new oil field in the Bashenkol structure inside the ADA Block of Actobe<sup>33</sup>.

**Table 4.6 Crude Oil Exploitation Project from 2003 to 2015**

Classification	Contents
<b>Targeted Crude Oil Production</b>	<ul style="list-style-type: none"> <li>• 1.7 million barrels per day by 2010</li> <li>• 3 million barrels per day by 2015</li> </ul>
<b>Foreign Investment</b>	<ul style="list-style-type: none"> <li>• Total \$52 billion pulled in for exploitation of new oil fields and construction of oil pipelines</li> <li>• \$11 billion from 2003 to 2005</li> <li>• \$20 billion from 2006 to 2010</li> <li>• \$21 billion from 2011 to 2015</li> </ul>
<b>Plan</b>	<ul style="list-style-type: none"> <li>• Construction of oil pipelined from 2003 to 2005</li> <li>• Exploitation of crude oil in Kashagan Field from 2005 to 2007</li> <li>• Exploitation of Caspian Sea from 2010 to 2015</li> </ul>

Source: Hak, Yoon Sung (2009), "Strategic Opportunities for South Korean Development of Energy Resources in Central Asia", p. 7. URL: [http://uskoreainstitute.org/wp-content/uploads/2010/02/USKI\\_WP0902.pdf](http://uskoreainstitute.org/wp-content/uploads/2010/02/USKI_WP0902.pdf)

<sup>33</sup> Three promising oil fields put the total volume of the block at about 170 million barrels. (Hak, 2009).

After Lee Myung-bak took office, he made state visits to Uzbekistan and Kazakhstan in May 2009. Lee and President Karimov signed 16 memoranda of understanding on the right of Korean firms to develop oil and mineral resources and industrial infrastructure in Uzbekistan<sup>34</sup>. South Korea and Kazakhstan also adopted a joint action plan that calls for closer bilateral cooperation in the development of energy, natural resources other than cooperation in the field of infrastructure<sup>35</sup>. South Korea having a competitive edge in high technology and Kazakhstan having abundant resources, both the countries strengthened their relation further by agreeing to begin projects to develop gas and oil and build a broadband internet network in Kazakhstan. During his visits, President Lee signed 20 memoranda on energy and resource cooperation with the president of Uzbekistan and Kazakhstan<sup>36</sup>.

In May 2009, South Korea and Kazakhstan signed a \$5 billion contract for South Korean investments in Kazakhstan's energy and technology sectors. In April 2010 Kazakhstan and South Korea signed a nuclear cooperation agreement, paving the way for export of Korean SMART 100 MWe nuclear reactors and for joint projects to mine and export Kazakh uranium<sup>37</sup>. The Kazakh Industry and Trade Ministry also held talks with South Korea's KEPCO (Korea Electric Power Corporation) on uranium mining and nuclear power plant construction in Kazakhstan, apparently on KEPCO's initiative<sup>38</sup>.

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<sup>34</sup> U.S.-Korea Year Book 2012, SAIS., p. 46

<sup>35</sup> U.S.-Korea Year Book 2012, op. cit., p. 46

<sup>36</sup> In fact, President Lee, after becoming president, had made seven visits to Kazakhstan in four years (Voloshin, Georgiy (2012), "South Korea and Kazakhstan Consolidate Bilateral Cooperation", : [http://www.jamestown.org/programs/edm/single/?tx\\_ttnews%5Btt\\_news%5D=39906&cHash=27156fd7b78780150ce95ab3c1af5bd2](http://www.jamestown.org/programs/edm/single/?tx_ttnews%5Btt_news%5D=39906&cHash=27156fd7b78780150ce95ab3c1af5bd2)

<sup>37</sup> Kazakhstan has 12% of the world's uranium resources and rapidly expanding mining sector that produced about 22,550 tonnes in 2013 and planning for further increase in 2018. In 2012 it became the world's leading uranium producer with 36.5% of world production. See, Uranium and Nuclear Power in Kazakhstan, December 2014, *World Nuclear Association*, <http://www.world-nuclear.org/info/Country-Profiles/Countries-G-N/Kazakhstan/>

<sup>38</sup> Ibid

**Table 4.7 - KNOC in Kazakhstan**

Block	Contract	Acreage (sq.km)	Working Interest	Operator	Production (bopd)	Phase
19Ada	Concession	31.2	40%	KNOC	3.6	Production
Zambyl	Concession	2000	9.45%	ZPL	N/A	Exploration
Arystan	Concession	51	85%	KNOC	3.9	Production
Kulzhan	Concession	19	85%	KNOC	3.0	Production
Akzhar	Concession	16	95%	API(KNOC)	5,260	Production
Besbolek	Concession	8	95%	API(KNOC)	1,210	Production
Karataikyz	Concession	1	95%	API(KNOC)	120	Production
Alimbai	Concession	1	95%	API(KNOC)	380	Production

Source: Compiled from Korea National Oil Corporation website [http://www.knoc.co.kr/ENG/sub03/sub03\\_1\\_1\\_2.jsp](http://www.knoc.co.kr/ENG/sub03/sub03_1_1_2.jsp)

Ada block is located on the south-west from Kenkiyak, Zhanazhol fields, which are one of the main oil field, in Aktyubinsk region, Kazakhstan. The acreage of the block is 31.2 sq. km. KNOC began to participate in the project with the interests of 22.5% in 18 November 2005, after performing technology and feasibility evaluation around the end of 2005. KNOC purchased an additional 17.5% interests to hold 40.0% in the field. Pilot production was begun on July 2009 and we had a ceremony for celebrating the completion of production facilities in the project. Zhambyl block is located in the northwestern part of the Caspian Sea. The acreage of this block is 2,000 sq.km. 8 Korean companies and KazmunayGas, Kazakhstan's national oil corporation are attending to this project. Korean consortium owns 27% interest and KMG owns 73% interest in Zhambyl project<sup>39</sup>. KNOC acquired two blocks (Arystan and Kulzhan) in western Kazakhstan as it merged KNOC Caspian in December, 2009, taking a working interest of 85%<sup>40</sup>. Its current production volume is 6.9 Mbopd. The subsidiary of KNOC purchased Altius Holding Inc. based in Canada in March 2011. Altius Petroleum Int. wholly owned by AHI has three production blocks (Akzhar, Besbolek, Karataikyz) and one exploration block (Alimbai) in Kazakhstan onshore.<sup>41</sup>

<sup>39</sup> KNOC alone owns 9.45% interest in this project. The exploration period will last for 8 years, from April 2008. KNOC found oil during 1st exploratory drilling

<sup>40</sup> The production contracts for Kulzhan and Arystan blocks were successfully made in November, 2012 and April, 2014.

<sup>41</sup> KNOC, Operations: Kazakhstan, at [http://www.knoc.co.kr/ENG/sub03/sub03\\_1\\_1\\_2.jsp](http://www.knoc.co.kr/ENG/sub03/sub03_1_1_2.jsp)

Despite its ever-growing cordial relation and cooperation with Kazakhstan, South Korea still remains attached to its long-time Central Asian partner, Uzbekistan. The Uzbek leader Islam Karimov visited Seoul upon President Lee's invitation in 2012 and signed \$5 billion dollars worth bilateral contracts. It is important to note that since 1992, South Korea and Uzbekistan have signed more than 230 bilateral agreements (Voloshin, 2012). After President Lee took over office in 2008 there was a summit meeting between President Karimov and Lee during which the Protocol on the Establishment of a Joint Venture Company for the Development and Construction of Surgil Gas Field and Chemical Complex and the Contract for Joint Exploration of Offshore Oil Reserves in the Aral Sea by Daewoo International Corporation were signed. Both leaders put emphasis on the measures to promote bilateral cooperation in the field of energy resources. Uzbekistan was home to 400 companies with South Korean participation in 2012, while 66 of them were fully owned by Seoul-based businesses (Voloshin, 2012).

**Table 4.8 - KNOC in Uzbekistan**

Phase	Block	Operator	Working Interest
Exploration	Namangan-Chust	Ferghana Operating	50%
	West	Company	65%
	Fergana&Chinabad		

Source: Korea National Oil Corporation at [http://www.knoc.co.kr/ENG/sub03/sub03\\_1\\_1\\_5.jsp](http://www.knoc.co.kr/ENG/sub03/sub03_1_1_5.jsp)

Namangan/Chust blocks are located in the Eastern part of the Republic of Uzbekistan near to Kyrgyzstan. KNOC concluded a exploration agreement with UNG in November 2008. 1 exploratory and 1 appraisal drilling had been completed. West Fergana/Chinabad blocks are located in the Eastern part of the Republic of Uzbekistan near to Kyrgyzstan. KNOC concluded an exploration agreement with UNG in February 2010. The intention of South Korea's expanding presence in the Central Asian region suggests a long-term engagement with the region.

To add to the proof of aggressive energy diplomacy of South Korea to secure energy resources, Prime Minister Han Seung-soo chose Central Asia as the destination of his first round of visits and made a ten-day trip to Uzbekistan, Kazakhstan, Turkmenistan and Azerbaijan in 2009. He held meetings with the leaders and high-level figures of the Central Asian countries, and discussed ways for South Korea and the respective countries to foster cooperation in various fields such as energy resources, infrastructure construction and sharing of experiences in economic development. It should be noted that there were many achievements of Prime Minister Han's visit to Central Asian states especially in the area of energy resources as several significant contracts which were successfully concluded, including those on the development of the Zhambyl oil field in Kazakhstan, joint exploration of the Uzunkui gas field and Namangan-Chust oil reserve in Uzbekistan and long-term uranium supplies with both Kazakhstan and Uzbekistan.<sup>42</sup>

This round of visits also achieved the signing of fourteen memoranda of understanding in manufacturing and construction and another six contracts related to energy resources. As mentioned earlier in aid has been one of the main channels for South Korea to make inroads into Central Asian region for want of energy and other resources. Its aid through ODA to its 26 priority partners had steadily increased in two decades to a whopping \$1.321 billion through 2011<sup>43</sup>.

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<sup>42</sup> He had also discussed the possible participation of South Korea in Turkmenistan's exploration of offshore oil reserves in the Caspian Sea and Azerbaijan's development of mineral resources. See, Ministry of Foreign Affairs, *Diplomatic White Paper 2009*, p. 79.

<sup>43</sup> SAIS U.S.-Korea Year Book 2012, p.73

## Energy Security in South Korea's Foreign Policy

**Table 4.9 - KOICA'S Annual Assistance by Region, 2008-2012 (Units: Thousand US\$)**

Region	Classification	2008	2009	2010	2011	2012
<b>Total</b>	Number of Countries (Organizations)	123(22)	112(24)	124 (4)	125(26)	121(14)
	Amount (KRW)	305541	355747	524731	451840	501338
	Amount (USD)	275238	279258	454156	408056	445277
<b>Asia</b>	Number of Countries	29	28	32	34	31
	Amount (KRW)	121329	144117	285935	205591	235333
	Amount (USD)	109295	113131	247477	185669	207967
	Proportion (%)	39.71%	40.51%	54.49%	45.50%	46.94%
<b>Africa</b>	Number of Countries	48	42	47	46	45
	Amount (KRW)	60576	67907	78217	72688	102345
	Amount (USD)	54568	53306	67697	65644	90960
	Proportion (%)	19.83%	19.09%	14.91%	16.09%	20.41%
<b>Central and South America</b>	Number of Countries	26	21	25	27	26
	Amount (KRW)	35517	36302	55823	44009	55072
	Amount (USD)	31994	28497	48315	39744	48920
	Proportion (%)	11.62%	10.20%	10.64%	9.74%	10.98%
<b>Middle East</b>	Number of Countries	7	8	8	5	6
	Amount (KRW)	17332	23530	27666	12145	18038
	Amount (USD)	15613	18471	23945	10968	16505
	Proportion (%)	5.67%	6.61%	5.27%	2.69%	3.60%
<b>Eastern Europe and CIS</b>	Number of Countries	13	13	12	14	13
	Amount (KRW)	18030	24122	24834	25627	22558
	Amount (USD)	16242	18936	21493	23144	20540
	Proportion (%)	5.90%	6.78%	4.73%	5.67%	4.50%
<b>International organizations</b>	Number of Countries	22	24	14	26	14
	Amount (KRW)	27111	29240	21446	41687	16105
	Amount (USD)	24422	22953	18561	37647	14304
	Proportion (%)	8.87%	8.22%	4.09%	9.23%	3.21%
<b>Other</b>	Amount (KRW)	25647	30529	30812	50094	51887
	Amount (USD)	23104	23965	26667	45240	46085
	Proportion (%)	8.39%	8.58%	5.87%	11.09%	10.35%

Source: KOICA Annual Report 2012, p.133

To be specific, the proportion of total aid allocated by KOICA (Korea International Cooperation Agency) to Eastern Europe and Central Asia rose by 1 percent in 2010 up to 5.7 percent in 2011 and interestingly Azerbaijan and Uzbekistan which are rich in oil and gas respectively were the top recipients.



**Table 4.10 - KOICA's Top 5 Eastern Europe/CIS Recipients in 2012**

RANK	COUNTRY	AMOUNT (KRW in millions)	Proportion (%)	
			KOICA's Disbursement	Total Aid Disbursement in the Region
1	Uzbekistan	12,420	2.5	55.1
2	Azerbaijan	6,743	1.3	29.9
3	Kyrgyzstan	768	0.2	3.4
4	Kazakhstan	532	0.1	2.4
5	Tajikistan	516	0.1	2.3
	<b>Total</b>	20,978	4.2	93.0
	Total	20,978	4.2	93.0

Source: KOICA – Annual Report 2012.

If we go by the sectors awarded with aid, energy and industry tops the list with 42.9 percent. Azerbaijan received the second most energy and industry sectoral aid from KOICA worldwide in 2011. Considering Azerbaijan is in the Caucasus, Kazakhstan and Uzbekistan were the top aid recipients from the Central Asian region. However, in the very next year in 2012 Uzbekistan topped the list as the highest aid recipient in the region and compared to the previous year two more Central Asian countries, Kyrgyzstan and Tajikistan, were charted in the top five recipients in third and fifth positions respectively. The interesting matter of fact is South Korea's involvement traditionally with Uzbekistan has been a government-led, while its engagement with Kazakhstan has been mostly driven by private firms. South Korea's foreign policy towards the Central Asian region strongly indicates that along with other multiple national interests, energy security remains one of the main factors for its aid disbursement calculations (Alison, 2013: 74).

### **Foreign Policy Towards Africa and Energy Security**

South Korea's relations with Africa date back to as recently as during the Korean War of 1950-53. After the Korean War Chun Doo-hwan was the first Korean president to make an official visit to Africa in 1982. He, like his predecessor Park Chung-hee, advanced the

policy that South Korea would “open its doors to all the nations of the world on the basis of the principle of reciprocity and equality”<sup>44</sup>. Although Park and his successors were taking policy level efforts to prevent other countries from having close relations with North Korea, such practical ‘diplomacy’ helped South Korea abandoning the Hallstein Doctrine<sup>45</sup>. South Korea through this pragmatic diplomatic efforts established diplomatic ties with more than 103 countries and it normalized its diplomatic ties with the former Soviet Union countries and China in the early 90s<sup>46</sup>.

The reasons for the limited engagement between Africa and South Korea can be attributed to geographical distance and mutual lack of mutual interest emanating from insufficient funding and availability of information<sup>47</sup>. The relation between South Korea and the continent grew, though in a sluggish manner, when the South and North Korea were seeking for diplomatic recognition and political legitimacy in the world arena particularly in relation to African countries. South Korea's recognition campaign was spurred by North Korea's significant ties with many decolonized African countries<sup>48</sup>.

It was only in 2006 South Korea felt the strategic necessity to have high level engagement with Africa beside West Asia. The year 2006 witnessed many summit meetings between South Korea and African countries which why it was heralded as the “Year of Friendship with Africa”. Presiden Roh Moo-hyun made official visits to Egypt, Algeria, and Nigeria in March 2006 to which five African countries reciprocated and the Chairperson of the African Union Commission also paid visit to Seoul in the same year<sup>49</sup>. In March 2006, South Korea's KNOC signed Production Sharing Contracts (PSC) with Nigerian National Petroleum Corporation (NNPC) for the blocks OPL 321 and OPL 323, offshore deepwater blocks located in the Gulf of Guinea, West Africa<sup>50</sup>.

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<sup>44</sup> Nahm, C. Andrew and James E. Hoare (2004), *Historical Dictionary of the Republic of Korea*, Maryland: Scarecrow Press, Inc., p. 61

<sup>45</sup> Ibid

<sup>46</sup> Hungary was the first socialist country to open a trade office and mission in Seoul in 1988, followed by the Soviet Union and China.

<sup>47</sup> Kim Soyeun (2013), “Korea in Africa: A Missing Piece of the Puzzle?”

<sup>48</sup> Ibid 53

<sup>49</sup> MOFAT, Diplomatic White Paper, 2007, p. 111

<sup>50</sup> KNOC Operations [http://www.knoc.co.kr/ENG/sub03/sub03\\_1\\_3\\_2.jsp](http://www.knoc.co.kr/ENG/sub03/sub03_1_3_2.jsp)

**Table 4.11 - Diplomatic Relations of the Two Koreas with Africa till 1968**

<b>Country</b>	<b>Establishment of diplomatic relation</b>	
	<b>South Korea</b>	<b>North Korea</b>
<b>Algeria</b>		September 25, 1958
<b>Benin</b>	August 1, 1961	
<b>Botswana</b>	April 18, 1968	
<b>Burundi</b>		March 11, 1967
<b>Cameroon</b>	August 10, 1961	
<b>CAR</b>	September 5, 1963	
<b>Chad</b>	August 6, 1961	
<b>Congo (Brazzaville)</b>	August 18, 1961 (closed in 1965)	
<b>Congo (Leopoldville)</b>	April 6, 1963	
<b>Ethiopia</b>	December 23, 1963	
<b>Gabon</b>	October 1, 1962	
<b>The Gambia</b>	April 21, 1965	
<b>Ghana</b>		December 8, 1964
<b>Guinea</b>		June 15, 1960
<b>Cote d'Ivoire</b>	July 23, 1961	
<b>Upper Volta</b>	April 20, 1962	
<b>Kenya</b>	February 7, 1964	
<b>Lesotho</b>	December 7, 1966	
<b>Liberia</b>	March 18, 1964	
<b>Madagascar</b>	June 25, 1962	
<b>Malawi</b>	March 9, 1965	
<b>Mali</b>		October 31, 1960
<b>Mauritania</b>	(closed in 1964)	November 12, 1964
<b>Morocco</b>	July 6, 1962	
<b>Niger</b>	July 27, 1961	
<b>Rwanda</b>	March 21, 1963	
<b>Senegal</b>	October 19, 1962	
<b>Somalia</b>		April 13, 1967
<b>Swaziland</b>	November 10, 1968	
<b>Tanzania</b>		January 13, 1965
<b>Togo</b>	July 26, 1963	
<b>Uganda</b>	March 26, 1963	

Source: IWATA, Takua (2012), "Comparative Study on "Asian" Approaches to Africa: An Introductory Reflection".

With the aim to enhance South Korea's standing in the international community and to secure a foundation for continued growth, it extended the scope of diplomacy through the pursuit of "diversified diplomacy in the international arena"<sup>51</sup>. President Roh Moo-hyun during his state visit to Nigeria announced Korea's Initiative for African Development

<sup>51</sup> MOFAT, Diplomatic White Paper, 2007, p. 28

(KIAD), which pledged to target all 47 countries of the African Union (AU). KIAD's focus was on five areas: investment in human capital, development of health infrastructure, expertise in administrative governance, information and communication systems, and agricultural communities<sup>52</sup>. South Korea's new found zeal for closer relations with the continent is driven mainly by two factors: the pursuit of food<sup>53</sup> and energy security; establishing a new market for its manufacturing sector. Expanding the scope of summit diplomacy was also to explore new market opportunities and secure alternative and reliable source of energy supply.

Then foreign minister Ban Ki-moon made a series of visits to Algeria, Tanzania, Kenya and Libya with an eye to enhance relations with the continent that has been attracting the energy thirsty countries attention for its rich energy resources. It should be noted that this was the first ever visit by a South Korean Foreign Minister to these four countries which itself was a bold statement by the South Korean government of its widening horizons of energy diplomacy in the African continent<sup>54</sup>. His visit set many South Korea-Africa initiatives including the launch of Korea-Africa forums and South Korea's pledge to triple its Official Development Assistance (ODA) to Africa between 2006 and 2009. South Korea increased ODA rapidly since the early 2000s and between 2006 and 2010 particularly, ODA flow increased by an average of 29 percent each year. Considering the benefits of it received from the international development assistance in its progress of economic growth, Korea in 2006 announced that it would increase ODA to 0.1% of total Gross National Income (GNI) by 2009. Particularly to Africa, South Korea's ODA had steadily increased since 2006.

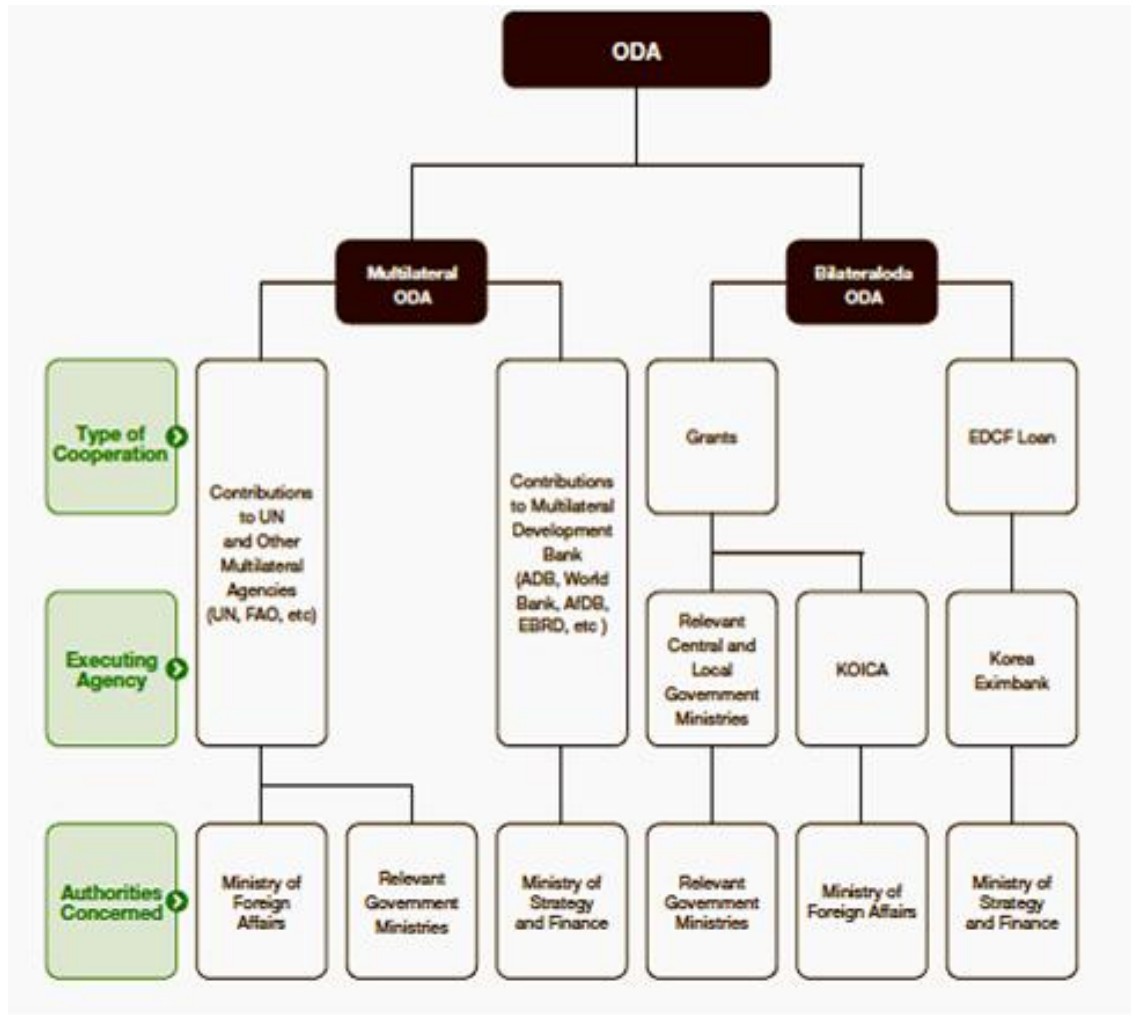
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<sup>52</sup> US-Korea 2010 Yearbook, *SAIS*, p. 85

<sup>53</sup> Only 8 percent of South Korean population is works in agricultural production which results in South Korea's 90 percent import of food supply.

<sup>54</sup> Kim Soyeun (2013), p. 53,

Figure 4.3 - South Korea's ODA System

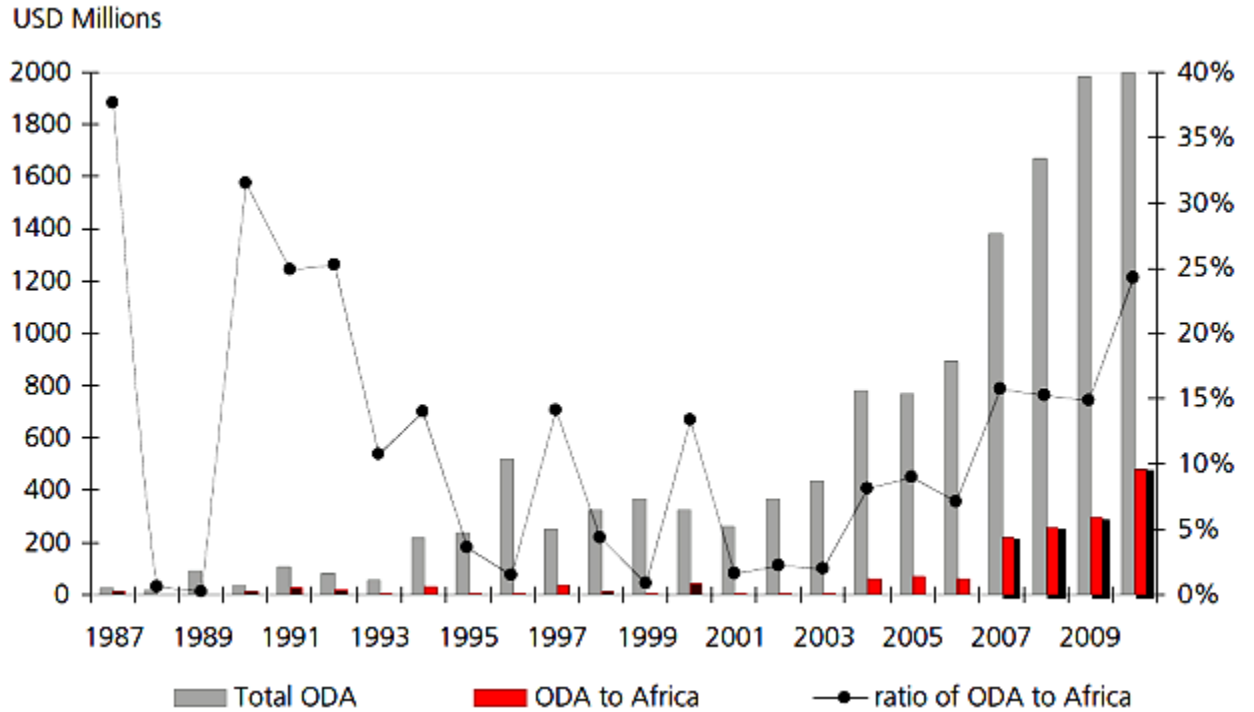


Source: EDCF Annual report 2012, p. 87

South Korea's efforts to expand its role as a donor particularly in Africa became evident when it entered into the Organisation for Economic Cooperation and Development (OECD) Development Assistance Council (DAC). Before this, South Korea was an aid recipient from its post Korean War era. With the current ODA system of South Korea divided into a 'two-pillar system' i.e. concessional loans and grants through two ministries, loans are disbursed through the Economic Development Cooperation Fund (EDCF) by Korea Export-Import Bank, under the supervision of the Ministry of Strategy

and Finance (MOSF) and grants handled by the Korea International Cooperation Agency (KOICA), under the supervision of Ministry of Foreign Affairs and Trade (MOFAT)<sup>55</sup>.

**Figure 4.4 -South Korea's Commitment-Based Total ODA and ODA to Africa 1987-2010**

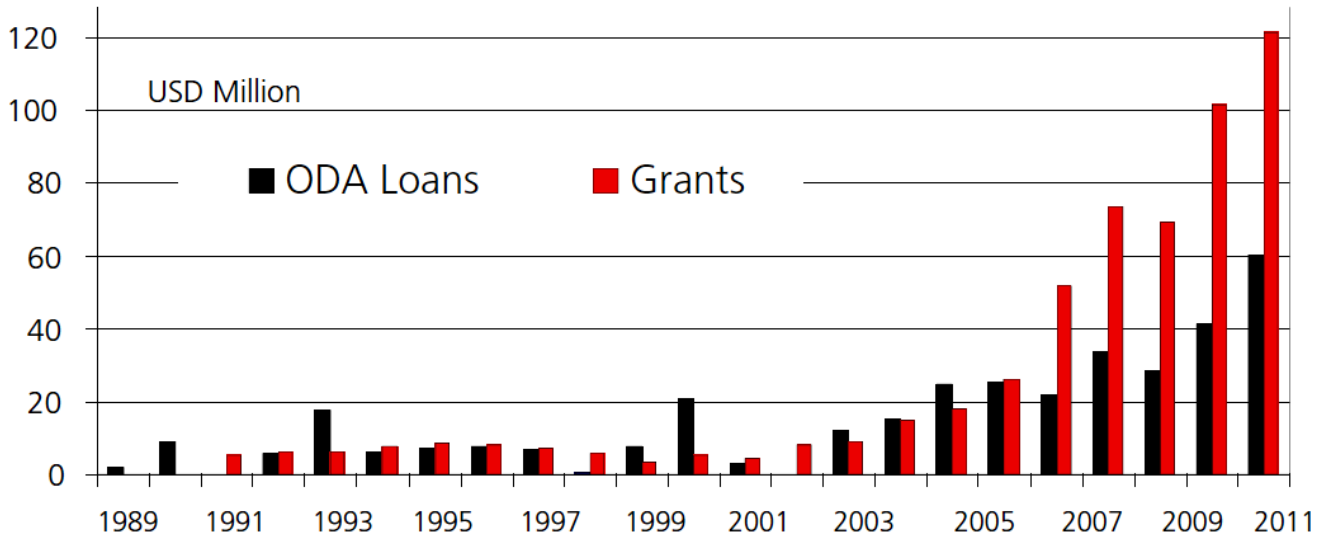


Source: Kim Soyeun (2013)

Although, there is a difference in the actual commitment and disbursement amounts both loans and grants flow had been in the rise since 2006. Even within loans and grants the total disbursement of grants by KOICA had overtaken the total loan disbursements which is shown in the below figure (Kim, Soyeun, 2013: 58).

<sup>55</sup> Folley, Rob (2011), "Korea's ODA to Africa: Strategic or Humanitarian?", in US-Korea Yearbook 2010, US-Korea Institute, Washington DC. [http://uskoreainstitute.org/wp-content/uploads/2011/05/Folley\\_YB2010.pdf](http://uskoreainstitute.org/wp-content/uploads/2011/05/Folley_YB2010.pdf) adn p. 57 and Kim Soyeun (2013), p. 66

**Figure 4.5- South Korea's Loans and Grants Disbursement in Africa**



Source: Kim Soyeun (2013)

In regard to South Korea's resource diplomacy, Foreign Direct Investment (FDI) directed at resource development in Africa had increased rapidly since 2006. South Korea's policy of increased engagement with Africa through ODA and FDI was a result of South Korea's resource scarcity especially energy<sup>56</sup>. South Korea's humanitarian goals towards Africa through ODA and efforts of KOICA to expand into Africa coincide with South Korea's quest to secure energy recourses and other raw materials that it needs to for its sustained economic growth.

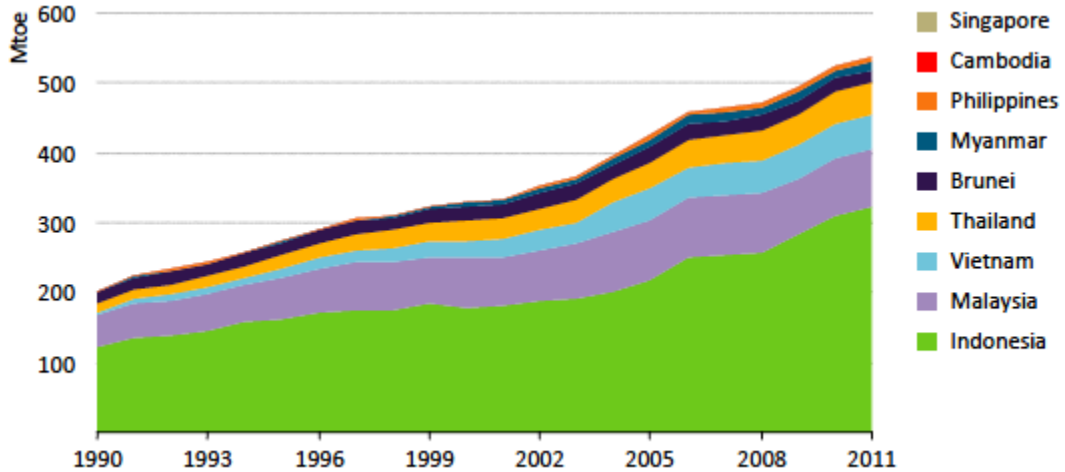
**Southeast Asia and South Korea's Energy Security**

Southeast Asia's fossil fuel resources – oil, gas and coal are one of the attractions for the energy thirsty countries like India and South Korea and export of the same is also crucial for the fossil fuel producing Southeast Asian countries mainly dominated by Indonesia, Malaysia, Thailand and Vietnam.

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<sup>56</sup> Kim Soyeun (2013), p. 66.

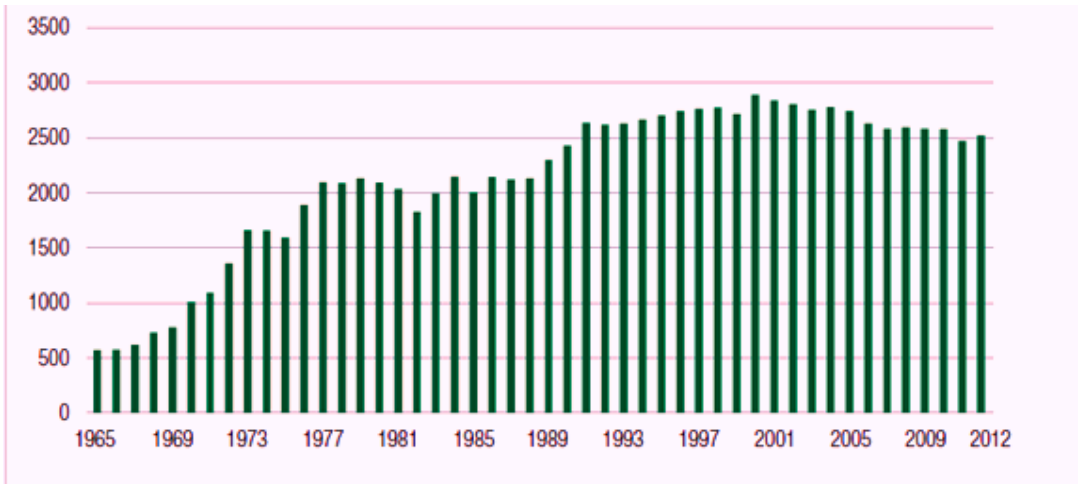
Figure 4.6 - Fossil fuel producing Southeast Asian countries



Source: IEA Energy Outlook-Southeast Asia 2013, p. 64.

Although Indonesia's traditional oil and gas production basins – Sumatra, Java and East Kalimantan – are well explored and mature, it still holds considerable oil and gas resources. Global energy research and consultancy group Wood Mackenzie has estimated Indonesia to hold about 3.67 billion boe of YTF (yet-to-find) reserves in the eastern basins, where offshore and onshore areas still remain relatively unexplored<sup>57</sup>.

Figure 4.7 - Southeast Asian Oil Production (mbd)

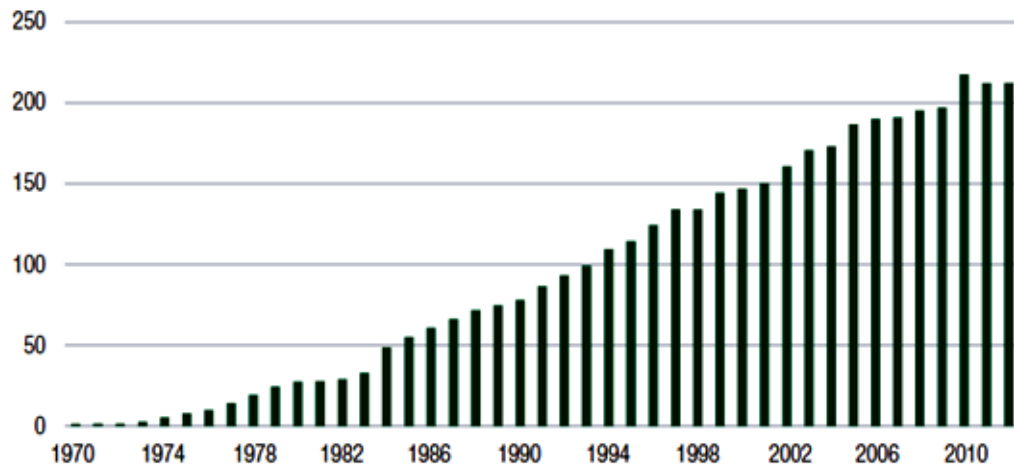


Source: Insight – 2014 Asia Energy Outlook, p. 19.

<sup>57</sup> Insight – 2014 Asia Energy Outlook, p. 19.



**Figure 4.8 - Southeast Asian Gas Production (bcm)**



Source: Insight – 2014 Asia Energy Outlook, p. 20.

South Korea and Indonesia have maintained a closer relationship since the establishment of diplomatic relations in 1973. Both countries have been cooperating in many areas including economic development, information technology, foreign workers, energy, maritime and fisheries, forestry, tourism, small and medium enterprises as well as science and technology. South Korea, being part of ASEAN (Association of South East Asian Nations), has been benefitting from the ASEAN-Korea Free Trade Agreement (AKFTA), under which the Agreement on Trade in Goods came into force in June 2007. Trade mechanisms such as such as the AKFTA and other institutions of wider coverage including the WTO (World Trade Organisation) forged a common ground to strengthen South Korea's economic relation with Indonesia. South Korea has been on the front foot when it comes to its relation with Indonesia for increased economic activities in the country. There has been increase in South Korea's FDI outflow in to Indonesia over the years.

**Table 4.12 - South Korea's FDI outflow**

<i>Rank</i>	<i>Country</i>	<i>FDI Outflow, Accepted Amount (million US\$)</i>	<i>Share of Total (2010)</i>
<b>1</b>	<b>China</b>	46,297.2	18.3
<b>2</b>	<b>United States of America</b>	43,192.2	17.0
<b>3</b>	<b>Hong Kong</b>	13,348.6	5.3
<b>4</b>	<b>Vietnam</b>	13,348.0	5.3
<b>5</b>	<b>U.K.</b>	9,707.9	3.8
<b>6</b>	<b>Australia</b>	9,599.2	3.8
<b>7</b>	<b>Indonesia</b>	8,801.5	3.5
<b>8</b>	<b>Netherlands</b>	8,172.7	3.2
<b>9</b>	<b>Canada</b>	8,108.8	3.2
<b>10</b>	<b>Iraq</b>	4,921.7	1.9
<b>Total</b>		<b>253,515.3</b>	<b>100</b>

Source: The Export-Import Bank of Korea

Based on cumulative stock of FDI from 1968 to 2010, China has been the number one for South Korea's investment, comprising over 18 percent of South Korea's total outflow of FDI, followed by the U.S. (17.0%), Hong Kong (5.3 %), Vietnam (5.3%), and the U.K. (3.8%). The decade from 2001 to 2010 witnessed more than fourfold increase in South Korea's FDI flow to Indonesia.

**Table 4.13 - South Korea's FDI Realization in Indonesia**

<b>Year</b>	<b>Projects</b>	<b>Value (US\$ million)</b>
<b>2001</b>	42	79.8
<b>2002</b>	45	62.0
<b>2003</b>	74	105.5
<b>2004</b>	60	62.6
<b>2005</b>	102	423.4
<b>2006</b>	140	447.9
<b>2007</b>	169	631.4
<b>2008</b>	181	388.8
<b>2009</b>	184	612.6
<b>2010</b>	356	328.5

Source: Indonesian Investment Coordinating Board (BKPM), <http://www.bkpm.go.id/contents/p16/statistics/17#.VJ1umsALw>

Indonesia remains the seventh biggest FDI destination for South Korea. During the 1990s South Korea's FDI (Foreign Direct Investment) outflows into Indonesia exceeded

inflows. It was only during the financial crisis of 2008 that the FDI outflow to Indonesia had come down to half the value of its previous year's investment realization<sup>58</sup>. Below table gives an account of South Korea's import of LNG from Indonesia for the decade 2002 to 2012. There has been nearly 50 percent increase in LNG import from Indonesia within a decade.

**Table 4.14 - LNG Imports from Indonesia 2002-2012**

Year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
MTPA	5.26	5.20	5.29	5.50	5.06	3.75	3.05	3.08	5.45	7.89	7.45

Source: Korea International Trade Association

### South Korea – Vietnam

After the World War – II ended in 1945, South Korea and Vietnam fell victim to great power politics; while Korea was divided on the 38<sup>th</sup> parallel in 1945, nine years later same fate followed for Vietnam. South Korea, being a staunch ally of the U.S., had sent more than 300,000 troops to Vietnam to fight against the Vietnam communists. Economic and foreign policies of both these countries paved way for normalization of relations. In the late 1980s, Vietnam adopted the Doi Moi reform policy with an aim to transform itself into a socialist-oriented market economy, while during the same period South Korea launched its *Nordpolitik* (Northern Policy) to normalize diplomatic relations with socialist countries. It was after the end of the Cold War that brought these countries together to forge new rejuvenated relations who were historically friendly and shared a common cultural heritage of Confucianism, Buddhism and Taoism. South Korea and Vietnam in 1992 agreed to upgrade their relations with the establishment of ambassadorial level relations<sup>59</sup>. The relations between South Korea and Vietnam reached a level of Vietnam being the 9<sup>th</sup> biggest trading partner for South Korea and the second

<sup>58</sup> Indonesia – Korea: Joint Study Group for a Comprehensive Economic Partnership Agreement, [http://ditjenkpi.kemendag.go.id/website\\_kpi/Umum/Bilateral/Kerjasama/Ina%20Korsel/Rekomendasi%20Pembentukan%20Comprehensive%20Economic%20Partnership%20Agreement%20\(CEPA\)%20Indonesia-Korea.pdf](http://ditjenkpi.kemendag.go.id/website_kpi/Umum/Bilateral/Kerjasama/Ina%20Korsel/Rekomendasi%20Pembentukan%20Comprehensive%20Economic%20Partnership%20Agreement%20(CEPA)%20Indonesia-Korea.pdf), p. 14,

<sup>59</sup> This is an example of South Korea's initiative to forge alliance with Vietnam independent of the U.S. influence, which normalized its relations with Vietnam only in 1995

largest among ASEAN countries<sup>60</sup>. Even before South Korea opened its full fledged embassy in Vietnam, KNOC obtained operatorship of Block 11-2.

The Rong Doi (Twin Dragon) and Rong Doi Tay (Twin Dragon West) gas fields were discovered by KNOC in March 1998. KNOC signed an interim gas sales purchase agreement with PetroVietnam in December 2004, which was finalised shortly thereafter and commenced construction works for the development of the gas field<sup>61</sup>. Korea National Oil Corporation (KNOC) is sole operator and carries out exploration, development and production activities in Block 11-2, located 320km offshore Vietnam<sup>62</sup>. KNOC holds 75% participating interest in this block on behalf of itself and a Korean Consortium which consists of LG International Corp., Daesung Industrial Com., Daewoo International Corp., Hyundai Corp., Samwhan Corp., and Seoul City Gas Co. Ltd. PetroVietnam Exploration and Production Company (PVEP) also holds 25% participating interest in block 11-2<sup>63</sup>. This field commenced production on December 25, 2006. Now 7 Production Wels in the fields are producing the average 171 million standard cubic feet of natural gas per day upon the buyer's gas nomination. The recoverable volume of this block is 770 billion standard cubic feet and Production will continue by 2024.

### **Natural Gas, Russia and Energy security**

In consideration of South Korea's international standing and expansion of South Korean's activities overseas, South Korean government has been pursuing multi-dimensional diplomacy in order to enlarge its diplomatic arena and its scope of international cooperation. It was in the late 2000s it vigorously engaged in summit diplomacy at bilateral, regional and international levels. The presidents of South Korea conducted summit diplomacy in variety of ways, such as abroad visits. Also, the South Korean government pursued summit diplomacy on the sidelines of multilateral meetings

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<sup>60</sup> See, [http://fsi-media.stanford.edu/evnts/6954/Transcript\\_Luncheon\\_Speech\\_WEB.pdf](http://fsi-media.stanford.edu/evnts/6954/Transcript_Luncheon_Speech_WEB.pdf)

<sup>61</sup> VCCINEWS (2007), "Korea National Oil Corporation Strives for Mutual Benefit", *Vietnam Breaking News*, May 19, 2007.

<sup>62</sup> It should be noted that Block 11-2 was the first overseas project of KNOC

<sup>63</sup> "UMO Oil & Gas Bags US\$18.7M Job", *The Sun Daily*, 29, December 2014, at <http://www.thesundaily.my/news/1278626>

including ASEAN+3, East Asia Summit (EAS) and APEC. As a result of such diplomacy there were 20 bilateral summits meetings in 2007 alone including six Presidential visits overseas and seven receptions held for foreign summit visits to Seoul<sup>64</sup>. Natural gas consumption in South Korea has grown rapidly over the last two decades as compared to the situation in 1986 when first LNG cargoes arrived in South Korea. As a measure to secure natural gas supply to the country and lower the country's dependency on LNG, a few number of pipeline natural gas (PNG) projects have been proposed. The first proposal of constructing a gas pipeline that would connect Korea and Siberian natural gas fields began in the early 2000s. The initial feasibility study on the project was carried out jointly by Russia, China and Korea. The proposed route was to construct a gas pipeline from the Kovykta field in the Russian province of Irkutsk that goes through north eastern China and bypass North Korea by connecting Dalian and Pyeong-Taek via a subsea pipeline. This proposed pipeline route was to have a length of 4200 kilometers with an estimated cost of US\$ 11 billion. However, the three countries failed to come to an agreement and an alternative pipeline route was proposed two years later. The second proposed gas pipeline was to construct a pipeline from the Sakhalin gas field to South Korea passing through Vladivostok and transit North Korea. In 2008, during the Korea-Russia summit, the two countries agreed upon and signed a Memorandum of Understanding (MoU) for South Korea to import 2 million tonnes of PNG annually from this proposed route.

However, with the political tensions with North Korea, the talks on the construction of a pipeline through North Korea could not reach an agreement. Eventually, instead of going through North Korea, Russia and South Korea decided to send natural gas from Sakhalin to Vladivostok via the gas pipeline and then ship from Vladivostok to South Korea in the form of LNG. There are many factors that may surely affect the future LNG demand in Korea. The electricity market and the gas market reform may bring competition to the market and make a more cost efficient energy market in Korea. However, the talks have been delayed for numerous years with no signs of progress and it is most likely that no sudden changes will be made in the near future. PNG from Russia is

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<sup>64</sup> MOFAT, Diplomatic White Paper 2008, p. 74

also a project that could bring a whole new dimension to the LNG market in Korea but with the current political situation in the Korean Peninsula, it is also highly unlikely to be carried out any time soon. The Fukushima accident alerted the government but did not lead to the abandonment of nuclear power in Korea. In the end, the most important guideline for the future LNG will have to be the government's long-term plan for energy as both the electricity market and the gas market is still controlled by the government.

Russia's energy resources and its reemergence as an energy power have significance in the changes that the international energy security structure has been undergoing since the dawn of the century. Russia is revamping its status as a powerful global force has considerably impacted the world energy markets and international energy strategy. It appears that the Russian energy diplomacy generally tends to envisage three broad areas of activity: bilateral and multilateral relations with other countries, participation in international organizations, and selective cooperation with transnational corporations<sup>65</sup>.

The largely undeveloped energy resources of neighboring Siberia had become the objective of a scramble by Northeast Asian countries, as case in point, specifically to South Korea to meet its increasing energy needs to satisfy its economic growth and to reduce the dependence on West Asia. South Korea has been moving aggressively to shore up partnership with existing suppliers, pursue new energy investments overseas, and pursue alternatives to petroleum<sup>66</sup>.

South Korea's normalization of relations with China and Russia has been a beneficial factor in forging energy ties and cooperation with Russia and China. As South Korea is trying to access eastern Siberia and the Far East in order to secure energy resources, the strategic value of its enhanced relations and strategic tie-ups with Russia

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<sup>65</sup> Ahn, Se Hyun (2007), "Energy Security in Northeast Asia: Putin, Progress and Problems", Asea Research Centre Working Paper 20, <http://www.lse.ac.uk/asiaResearchCentre/files/ARCWP20-SeHyunAhn.pdf>

<sup>66</sup> *Energy Supplies in Eurasia and Implications for U.S. Energy Security*, Hearing Before the Subcommittee on International Economic Policy, Export and Trade Promotion of the Committee on Foreign Relations, United States Senate, September 27, 2005, p. 34.

has become one of the foreign policy characteristics of South Korea. In 2004, Russia Petroleum, South Korea's state owned Korea Gas Corporation (KOGAS), and the Chinese National Petroleum Company (CNPC) announced plans to construct a pipeline connecting Russia's Kovykta field to China's northeastern provinces and across the Yellow Sea to South Korea<sup>67</sup>.

According to the plan, 1.2 billion cubic feet-per-year pipeline was to deliver two-thirds of the natural gas supply annually to China and delivering the rest to South Korea. The plan envisaged the pipeline project to become a reality by 2008<sup>68</sup>. When the heads of state of Russia and South Korea met during the summit meeting on November 2, 2011, it was decided to have a specific roadmap for a PNG project passing through North Korea. Russia's Vladivostok was decided to be the LNG export terminal from where a gas pipeline would be constructed passing through North Korea, and finally reaching South Korea. As per the plan it was decided that pipeline would begin to supply gas in January 2017. Discussion on this project had been part of state agenda of South Korea as part of President Roh Tae-woo's North Korea policy which was carried forward by his successors Kim Dae-jung and Roh Moo-hyun's governments<sup>69</sup> and it still remained as an integral part of South Korea's foreign policy and energy strategy Lee Myung-Bak.

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<sup>67</sup> Ibid, p. 36

<sup>68</sup> This however could not be realized due to long time snagging over the gas price. Read, Motohiro Ikeda, June 4, 2014, "Russia, China ink gas deal; South Korea looks on eagerly", URL: <http://asia.nikkei.com/Politics-Economy/International-Relations/Russia-China-ink-gas-deal-South-Korea-looks-on-eagerly>

<sup>69</sup> Lee, Youn Seek Lee, "The Gas Pipeline connecting South Korea, North Korea, and Russia: Effects, Points of Contention, and Tasks", *KINU Policy Study*, 11 (5), p.2, <http://www.kinu.or.kr/upload/neoboard/DATA02/rps11-05.pdf>, Accessed on September 15, 2013.

Map 4.2 - Proposed Gas Pipeline from Russia to South Korea



Blue line denotes Kovykta Pipeline and Black line denotes Sakhalin Pipeline.

Map Source: Huh, Joohong (2013), *Determinants of a Competitive LNG Supplier to Korea: Can Australia be the Next Qatar in terms of LNG Supply?*, M.Sc. Dissertation, Adelaide: UCL Australia

The reason behind South Korea's interest on this gas pipeline project had been not just the colossal economic profits but also the political strategic effect that it could have on South Korea and in a larger context, on whole of Northeast Asia. The reason why this trans-Siberian rail road linked gas pipe project has regularly been under the spotlight from the 1990s up until the present day is due to the enormous economic profits and political positive effects that it could bring on South Korea, North Korea and Russia in fact, the whole of Northeast Asia once this pipeline is connected and the project become fully functional. This project is seen by strategists as a win-win-win deal for all the three countries involved in the project. This project is clearly has high economic value as North Korea can earn annual transit fees of US\$ 150 million, while also profiting from labor costs and regional development by participating in PNG construction, and alleviating its own power shortage problems by building gas-generated power plants in areas where the PNG passes through. Russia can earn profits exceeding US\$ 90 billion by procuring a stable gas market for 30 years, and may extend this project to economic development of the Far East region and gain access to new export markets in South Korea, China, and Japan. Through this pipeline project South Korea can benefit by obtaining a stable gas



supply at prices 30-70% lower than LNG, excluding the costs of PNG construction. Also, South Korea can extend this cooperation in the energy sector to the economic and industrial sectors. However, the North Korean risk factor looms larger in the negotiations and has caused trouble in carrying forward with the project as the inter-Korean relation has not been cordial and health in the recent past. This project can be a positive political move in terms of South Korea considering this project as a “moral justification” for improving inter-Korean relations rather than making it just an economic approach.

### Natural Gas and Energy Security of South Korea

In South Korea LNG consumption was introduced in 1986, and since then natural gas consumption has grown rapidly over the years to reach 38.5 million tons in 2012<sup>70</sup>. With the expansion of city gas network and the increase in gas use for power generation the growth of natural gas consumption was especially great in the 1990s with an average annual growth rate of 20.1 percent<sup>71</sup>. Since 2000, the growth rate of LNG has fallen to an average of 8.6 per cent per year but still was the highest growing fuel among all other energy fuel types<sup>72</sup>. The state owned Korea Gas Corporation (KOGAS) has traditionally had monopoly over gas import and transmission in Korea<sup>73</sup>. The only exception to the monopoly on gas import is the two private power generation companies, POSCO Energy and SK E&S, which began importing LNG through their own re-gasification terminal in 2005. However, the gas imported by these two private companies is only for their own use, thus, KOGAS still remains as the sole importer of LNG for the natural gas market in Korea and stands as the single largest LNG buyer in the world<sup>74</sup>.

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<sup>70</sup> KEEI, 2013

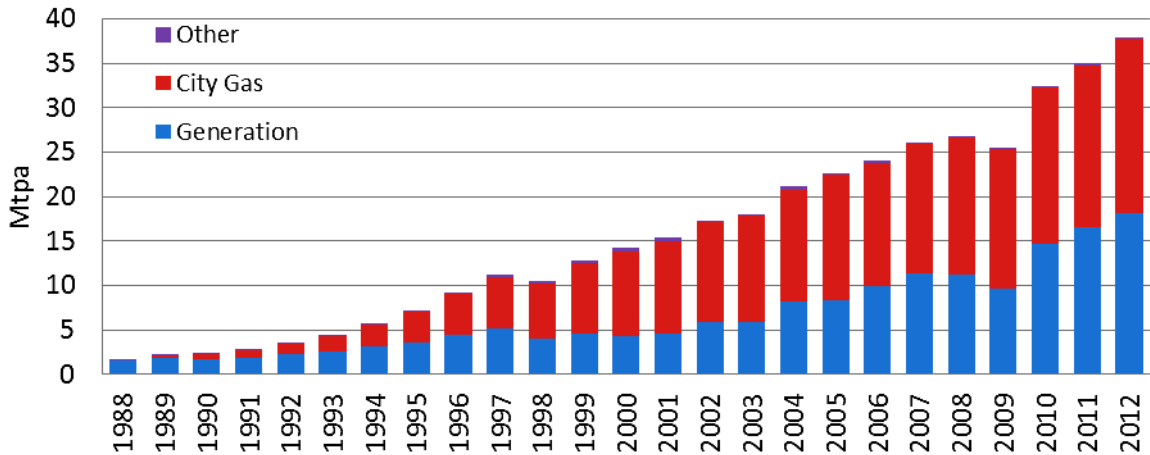
<sup>71</sup> Ibid

<sup>72</sup> Ibid

<sup>73</sup> KOGAS is a state-owned company with the government having a share of 60.9 per cent of the company at the end of 2012

<sup>74</sup> Jung Hyung Cho, ‘Will direct importation of LNG be successful for private power generation companies?’ *Green Daily*, 02 Aug, 2011 <http://www.greendaily.co.kr/news/articleView.html?idxno=15524>

Figure 4.9 - LNG Consumption by End Use



Source: KEEI (2012), *Yearbook of Energy Statistics*, Seoul.

LNG is consumed in two ways in South Korea: city gas use and power generation. When LNG was first introduced to the country, the main use of natural gas was for power generation. However, from 1990, with extensive expansion of city gas infrastructure and gas pipeline distribution network throughout the country, LNG demand for city gas consumption grew rapidly. City gas demand grew at an average annual growth rate of 30.6 per cent in the 1990s and was the main driver for the rapid growth of LNG demand during this period. LNG consumption constituted 74.8 per cent power generation and 24.7 per cent city gas use in 1990, but this had changed to 29.9 per cent power generation and 65.5 per cent city gas use by 2000. Ever since LNG use for city gas overtook LNG for power generation in 1997, city gas has always been the larger demand source for LNG<sup>75</sup>. From 2000, with the city gas pipeline distribution maturing around the metropolitan areas, the growth of city gas consumption dropped to an average annual growth rate of 6.3 per cent while LNG consumption for power generation continued to grow at a high pace with an average annual growth rate of 12.9 per cent<sup>76</sup>. As of 2012, LNG consumption constitutes 51.6 per cent city gas and 47.8 per cent power generation<sup>77</sup>. Below table portrays electricity generation achieved through different fuel over period of almost three decades.

<sup>75</sup> p. 111 KEEI, 2013

<sup>76</sup> KEEI, 2011

<sup>77</sup> KEEI 2013

**Table 4.15 - Electricity Generation by Fuel Type**

Fuel type	1981		1990		2000		2010	
	TWh	%	TWh	%	TWh	%	TWh	%
<b>Coal</b>	2.5	6.2	20.0	18.6	97.5	36.6	197.4	42.7
<b>Nuclear</b>	2.9	7.2	52.9	49.1	109	40.9	148.6	32.2
<b>Oil</b>	32.1	79.9	18.9	17.5	26.1	9.8	12.9	2.8
<b>LNG</b>	0.0	0.0	9.6	8.9	28.1	10.5	96.7	20.9
<b>Renewables</b>	2.7	6.7	6.4	5.9	5.6	2.1	6.5	1.4
<b>Total</b>	40.2	100.0	107.7	100.0	266.4	100.0	462.1	100.0

Source: KEPCO

As of 2010, coal had the largest electricity generation capacity accounting for 42% of total electricity generation capacity in South Korea. While nuclear had the second largest share for generation capacity, LNG had the third largest share. Since coal and nuclear are used for base load LNG is used for peak load, even though the capacity for LNG is higher than nuclear<sup>78</sup>. The state-owned Korea Gas Corporation (KOGAS) is responsible for nearly all of the LNG imports, operates three major LNG receiving terminals, runs the national gas pipeline network and supplies LNG to power generation plants and city gas companies. The state has the ultimate power as the import, supply and distribution of LNG is controlled by the government. LNG imports have grown rapidly over the years and the sources of LNG have expanded greatly. Throughout the nineties, almost all LNG imports were from Indonesia, Malaysia and Brunei, all of which are in the Asia Pacific region. Since 2000, some of the contracts with Indonesia expired and new long-term contracts were signed with Qatar and Oman, increasing the presence of West Asian LNG in total imports. Qatar became the largest source of LNG for Korea since 2001 and has since remained at the top position<sup>79</sup>. From the mid-2000s, South Korea began to import from countries such as Russia, Yemen and Nigeria to meet the growing LNG demand. Increase in spot market purchases also contributed to the increase in sources of LNG

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<sup>78</sup> Huh, Joohong (2013), *Determinants of a Competitive LNG Supplier to Korea: Can Australia be the Next Qatar in terms of LNG Supply?*.

<sup>79</sup> Ibid

## Energy Security in South Korea's Foreign Policy

imports supply and the total countries that South Korea was buying LNG from mounted up to 18 countries in 2012. Smaller amounts of spot purchases were made with countries such as Trinidad and Tobago, Norway, Equatorial Guinea, Belgium, Algeria and the United States. In 2012, Korea purchased LNG from all of the LNG exporting countries in the world except Peru and U.A.E. Even these two countries, Korea already has a record of spot purchases in previous years. Thus, whether it is through long-term contracts or spot purchases, Korea reaches out to almost every single seller of LNG in the world. The table 4.16 gives a picture of LNG imports from 1990 to 2012 for Korea. LNG imports have grown rapidly over the years and the sources of LNG have expanded greatly. Throughout the nineties, almost all LNG imports were from Indonesia, Malaysia and Brunei, all of which are in the Asia Pacific region. Since 2000, some of the contracts with Indonesia expired and new long-term contracts were signed with Qatar and Oman, increasing the presence of West Asian LNG in total imports (Hun JooHong, 2013).

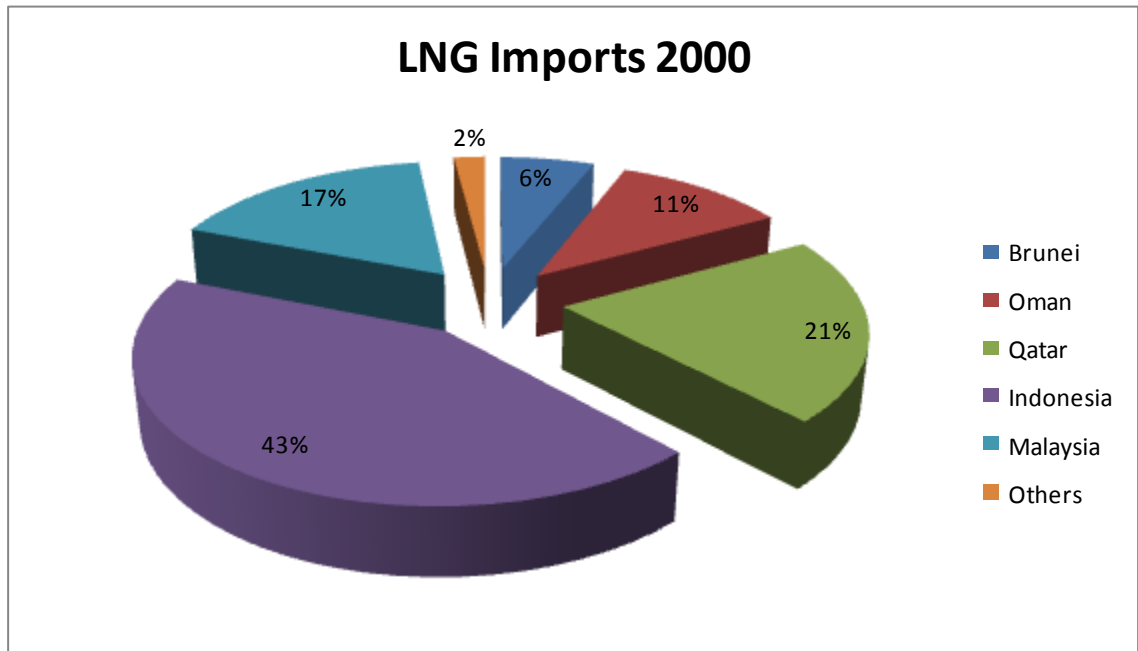
**Table 4.16 - LNG Imports by Country of Origin (1992-2012)** Unit: Thousand Ton

Year	Total	Indonesia	Qatar	Malaysia	Oman	Brunei	Australia	Egypt	Others*
1992	2994	2935	-	58	-	-	-	-	-
1993	4459	4112	-	290	-	-	57	-	-
1994	5996	5433	-	292	-	271	-	-	-
1995	6756	4892	-	1040	-	710	114	-	-
1996	9,258	5,975	-	2,573	-	654	56	-	0
1997	11,471	6,730	-	3,928	-	757	-	-	56
1998	10,189	6,736	-	2,851	-	541	-	-	61
1999	12,284	7,943	480	3,046	-	698	-	-	117
2000	15,239	6,633	3,251	2,529	1,619	849	54	-	304
2001	15,318	4,055	4,655	2,175	3,784	591	57	-	0
2002	17,993	5,256	5,123	2,400	3,970	769	176	-	298
2003	19,308	5,200	5,694	2,798	4,714	610	123	-	169
2004	21,781	5,290	5,818	4,638	4,411	838	285	-	501
2005	22,317	5,502	6,211	4,688	4,244	594	748	270	62
2006	25,256	5,060	6,458	5,546	5,221	850	701	955	466
2007	25,569	3,755	8,031	6,161	4,792	590	422	1,122	695
2008	27,259	3,053	8,744	6,247	4,544	738	398	1,414	2,121
2009	25,822	3,084	6,973	5,874	4,551	530	1,314	239	3,257
2010	32,603	5,451	7,449	4,745	4,557	787	1,030	735	7,850
2011	36,685	7,894	8,153	4,144	4,195	756	787	456	10,299
2012	36,184	7,445	10,278	4,082	4,127	773	832	602	8,045

\* Russia, Yeman, Equatorial Guinea, Trinidad and Tobago, Nigeria, Algeria, UAE etc. Source: Extracted from KEEI (2013), *Yearbook of Energy Statistics 2013*, Ministry of Trade Industry and Energy..

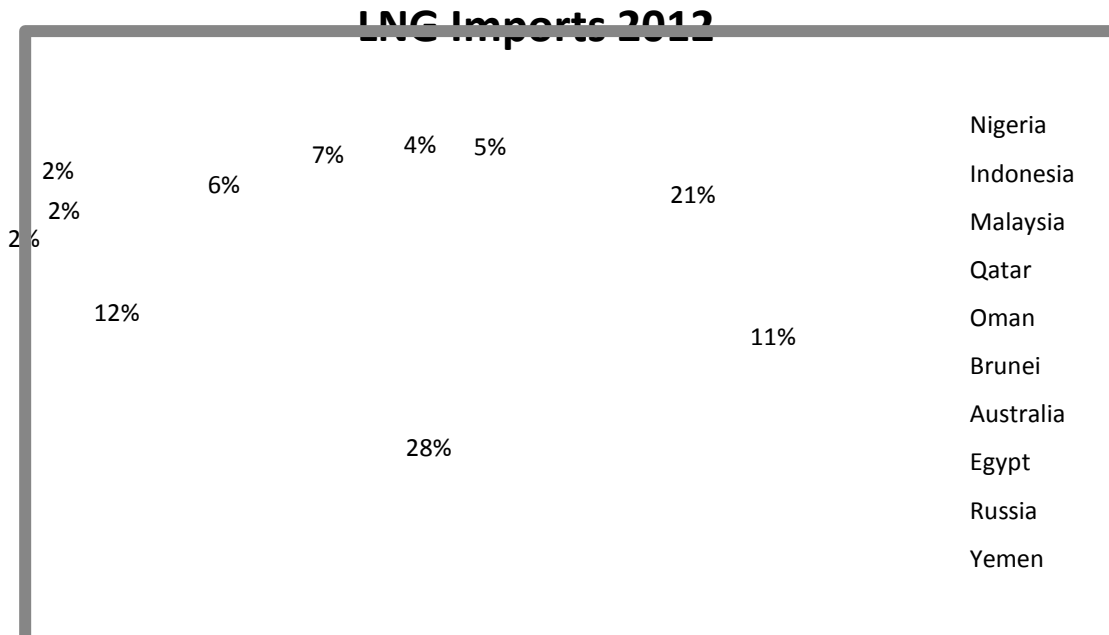
Qatar became the largest source of LNG for Korea since 2001 and has since remained at the top position. From the mid-2000s, Korea began to import from countries such as Russia, Yemen and Nigeria to meet the growing LNG demand. Increase in spot market purchases also contributed to the increase in sources of LNG imports supply and the total countries that Korea was buying LNG from mounted up to 18 countries in 2012. Smaller amounts of spot purchases were made with countries such as Trinidad and Tobago, Norway, Equatorial Guinea, Belgium, Algeria and the United States. In 2012, Korea purchased LNG from all of the LNG exporting countries in the world except Peru and U.A.E. Even with Peru and U.A.E., Korea already has a record of spot purchases in past years. Thus, whether it is through long-term contracts or spot purchases, Korea reaches out to almost every single seller of LNG in the world (Hun Joohong, 2013)..

**Figure 4.10 - LNG Imports 2000**



Source: Korea International Trade Association, in Hun Joohong (2013),

Figure 4.11 - LNG Imports 2012



Source: Korea International Trade Association, in Hun Joohong (2013).

Above is the comparison between LNG imports from 2000 and 2012. The market share of Indonesia dropped by more than a half while Qatar's market share rose. Also, the increase in number of suppliers is clearly visible. In 2012, Qatar had the largest share in total imports at 28 per cent followed by Indonesia at 21 per cent, Malaysia at 11 per cent and Oman at 12 per cent. The share of spot market purchases reached an all-time high in 2008 which was 17.9 per cent of total LNG imports that year and it dropped to 6.9 per cent in 2009 and jumped to 11.7 per cent in 2010 (KOGAS, 2012). Although the share of spot market purchases has risen since the nineties, it still remains around 10 per cent of total LNG imports and does not have such a great impact on the total cost of imports. Korea still remains highly dependent on long term contracts and only when the demand exceeds the long term contracted amount, then there will be the spot market purchases. This is the reason why the share of LNG spot purchases was large in 2008 because LNG consumption was high whereas the share was low in 2009 because of the drop in LNG consumption due to the financial crisis.

### Existing Long-term LNG Contracts

As mentioned before, Korea tends to secure LNG supply through long term contracts. By looking at the current contracts, the additional long term contracts that are needed to meet the future LNG can be predicted.

Below is the list of long-term LNG contracts that Korea has signed with LNG exporting countries from which LNG is currently being imported. Contracts made with Australia, Brunei and Egypt are mid-term contracts that are less than ten years long. All of the longterm contracts between KOGAS and South East Asian countries were signed during the nineties and are close to expiry dates.

**Table 4.17 - South Korea's Existing Long Term LNG Contracts as of 2012**

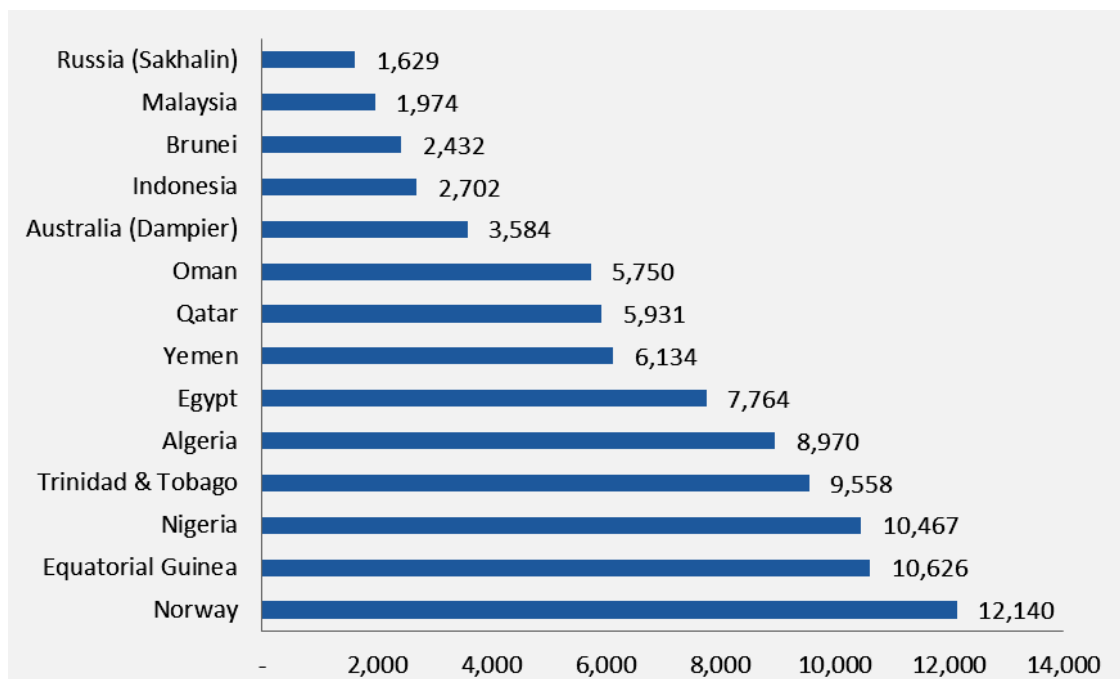
Country	Project	Buyer	Start Date	Expiry Date	Volume(Mtpa)
Australia	NWS 1-4	KOGAS	2009	2016	0.5
Brunei	Brunei LNG	KOGAS	1997	2017	0.7
Egypt	ELNG 2	BG	2008	2016	1.3
Indonesia	Arun	KOGAS	1995	2014	1.1
Indonesia	Bontang	KOGAS	1994	2014	2.0
Indonesia	Bontang	KOGAS	1998	2017	1.0
Indonesia	Tangguh	POSCO	2005	2025	0.6
Indonesia	Tangguh	SK E&S	2006	2025	0.6
Malaysia	MLNG Tiga	KOGAS	2008	2028	2.0
Malaysia	MLNG Dua	KOGAS	1995	2017	2.0
Oman	OLNG	KOGAS	2008	2027	4.0
Eq. Guinea	BG	KOGAS	2008	2016	1.3
Qatar	RasGas I	KOGAS	1999	2024	4.9
Qatar	RasGas III	KOGAS	2007	2026	2.1
Russia	Sakhalin 2	KOGAS	2008	2028	1.5
Yemen	Yemen LNG	KOGAS	2009	2029	2.0
<b>Total</b>					<b>27.6</b>

Source: KOGAS, KEEL, MKE as given in Huh (2013).

Many of the newer contracts were made with West Asian countries: Qatar and Yemen. SK E&S and POSCO Power are the only two private companies that import LNG. In 2005, Kwangyang LNG receiving terminal was completed by the two private companies

and began importing LNG directly for own use only. As the imports of these private companies are for private use and not included in the national LNG demand, they will be disregarded when calculating the LNG consumption and demand for the country. South Korea's dire need of energy resources make it clinching LNG and oil deals with countries that are located the other side of the globe. The figure below shows the distance between South Korea and its energy sources and the distance it covers for its energy security.

**Figure 4.12 - Shipping Distance to South Korea (Nautical Miles)**



Source: The International Group of Liquefied Natural Gas Importers (GIIGNL), 2011, *The LNG Industry 2012*, Paris,

### LNG Security and Equity Participation

While diversifying LNG sources has been utilized by South Korea since the beginning for securing LNG supply, improving LNG security through overseas equity participation has only been adapted by the government fairly recently. KOGAS's equity participation in the beginning was gentle and careful. The first investment in an overseas natural gas project was in Myanmar for gas exploration around the A-1 and A-3 field in 2000. There were no further investments in overseas projects until 2006. At this point, it seems that KOGAS began to look into investing into natural gas projects around the world more



seriously, and began actively searching for gas projects to participate in. In 2006, Korea acquired equity share of 10 per cent and 22.5 per cent for projects in Uzbekistan and Russia, respectively. KOGAS became involved in more projects in the following year by buying stakes in natural gas projects in East Timor, Indonesia and even to Mozambique. In 2008, KOGAS even made a 50:50 joint venture with Uzbekistan for gas exploration in Uzunkui. Korea continued to be active in equity participation in gas projects and has added four projects in Iraq, two in Canada, two in Australia to its portfolio. The most recent equity participation was in early 2013 in Cyprus. The total LNG projects that KOGAS has shares in are 17 in total as of June 2013.

**Table 4.18 - KOGAS's Overseas Equity Participation**

Country	Project	Share (%)	Note
Myanmar	A-1 & A-3	8.5	Expect first production in 2013
Canada (Since 2010)	Kiwigana/HornRiver/ West Cutbank	50.0	Acquired equity in 2011,
Canada	Unimak	20.0	Acquired equity in 2011, waiting for FID
Russia	Kamchatka	10.0	Acquired equity in 2006, Exploring
East Timor	Offshore A ,B, C, E, H	10.0	Farm in (2007), Exploring
Mozambique	Area A	10.0	Farm in (2007), Exploring
Indonesia	Krueng Mane	15.0	Farm in (2007), Exploring
Uzbekistan	Uzunkui	50.0	Joint Study Agreement in 2008, Exploring
Uzbekistan	Surgil	22.5	MOU in 2006, under development
Iraq in 2010	Zubair	18.8	Joint development contract awarded
Iraq in 2011	Mansuriyah	20.0	Joint development contract awarded
Iraq in 2011	Akkas	50.0	Joint development contract awarded
Iraq in 2010	Badrah	30.0	Joint development contract awarded
Australia in 2010	GLNG	15.0	Acquired equity in the CSG project
Australia in 2012	Prelude	10.0	Acquired equity in the FLNG project
Indonesia	Donggi-Senoro	15.0	Acquired equity in 2011
Cyprus	Offshore 2, 3, 9 fields	20.0	Signed exploration and Production Sharing contract in 2013

Source: KOGAS Annual Report 2011 and Huh (2013).

**Nuclear Energy Security and Relation with the US**

Despite living under immediate threat of nuclear destruction, South Korea, for a variety of reasons, has embraced the upside of nuclear energy far more readily than has the United States. South Korea considers the development of homegrown nuclear power generation essential to tempering its heavy dependence on energy imports, to growing its economy, and to reducing greenhouse gas emissions. As the table 4.19 shows, South Korea's last reactor supply from the U.S. was in 1987 for its Yonggwang 2 reactor and the last foreign supply for its domestic reactor was in 1999 for Wolsong 3 reactor. South Korea has developed as a nuclear reactor exporter from being a receiver nearly two decades ago.

**Table 4.19 - South Korea's Nuclear Power Units**

Year of Operation/ Reactor Name	Reactor Supplier	Generator Supplier	Architect Engineer	Construction Contractor
1978 Kori 1	Westinghouse	GE (UK)	Gilbert	Westinghouse
1983 Wolsong 1	AECL	NE (UK)	AECL	AECL
1983 Kori 2	Westinghouse	GE (UK)	Gilbert	Westinghouse
1985 Kori 3	Westinghouse	GE (UK)	Bechtel	Hyundai
1986 Kori 4	Westinghouse	GE (UK)	Bechtel	Hyundai
1986 Yonggwang 1	Westinghouse	Westinghouse	Bechtel	Hyundai
1987 Yonggwang 2	Westinghouse	Westinghouse	Bechtel	Hyundai
1988 Ulchin 1	Framatome	Alstom	Framatome	Dong Ah/Hanjung
1989 Ulchin 2	Framatome	Alstom	Framatome	Dong Ah/Hanjung
1995 Yonggwang 3	Hanjung/C-E	Hanjung/GE	KOPEC/S&L	Hyundai
1996 Yonggwang 4	Hanjung/C-E	Hanjung/GE	KOPEC/S&L	Hyundai
1997 Wolsong 2	AECL/Hanjung	Hanjung/GE	AECL/KOPEC	Hyundai
1998 Wolsong 3	AECL/Hanjung	Hanjung/GE	AECL/KOPEC	Daewoo
1998 Ulchin 3	Hanjung/C-E	Hanjung/GE	KOPEC/S&L	Dong Ah/Hanjung
1999 Wolsong 4	AECL/Hanjung	Hanjung/GE	AECL/KOPEC	Daewoo
1999 Ulchin 4	Hanjung/C-E	Hanjung/GE	KOPEC/S&L	Dong Ah/Hanjung
2002 Yonggwang 5	Doosan	Doosan	KOPEC	Hyundai/Daelim
2002 Yonggwang 6	Doosan	Doosan	KOPEC	Hyundai/Daelim
2004 Ulchin 5	Doosan	Doosan	KOPEC	Dong Ah/Doosan/Samsung
2005 Ulchin 6	Doosan	Doosan	KOPEC	Dong Ah/Doosan/Samsung

Non-Korean Companies

Non-Korean and Korean Companies

Korean Companies

AECL: Atomic Energy of Canada Ltd.    KOPEC: Korea Power Engineering Company  
 C-E: Combustion Engineering        NE: Northern Engineering  
 GE: General Electric                    S&L: Sargent & Lundy

Source: Holt Mark (2013), "U.S. and South Korean Cooperation in the World Nuclear Energy Market", CRS Report for Congress, June 25, 2013.

But, South Korea's nuclear energy future is not looking bright due to its nuclear agreement with the U.S. which prevents it from reprocessing the spent fuels. According to the South Korean government's estimate, by 2016 the storage pool for radioactive waste, known as "spent fuel", at its Kori plant near Busan will have reached maximum capacity. If the adjacent nuclear plant cannot find another domestic storage facility that will accept its fuel, it will have to be shut down. To make it worse, the dangerous nature of spent fuel precludes the option of exporting the material. Other nuclear energy producing nations including France and Japan have reduced the amount of space needed to store spent fuel through "reprocessing", or feeding the radioactive waste back into the reactors.

Reprocessing might be a viable option for South Korea, but for the Jekyll-and-Hyde nature of nuclear power, every type of reprocessing technology in current commercial use produces a grade of plutonium waste pure enough to fuel atomic weapons. Reprocessing is so fundamental to creating weapons of mass destruction that the Republic of Korea vowed to abstain from the practice in a 1992 nuclear agreement with North Korea. Instead, KAERI (Korea Atomic Energy Research Institute) scientists are championing a new, commercially unproven technology called "pyroprocessing,"<sup>80</sup> which they claim will be proliferation-safe. The Barack Obama administration in the United States, however, had expressed reluctance about allowing South Korea to proceed with pyroprocessing research and development. The American position can appear rather puzzling given the history of good relations between the two countries. U.S. negotiators signaled a degree of open-mindedness by agreeing to begin preparing for a decade-long joint study of spent-fuel disposal options, "including pyroprocessing." The U.S. commitment to participate in such research, which will happen in conjunction with the negotiation process, will give South Korea the opportunity to make its case for the technology. The research is warranted because pyroprocessing is a nascent technology

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<sup>80</sup> pyroprocessing is a generic term for high-temperature methods and this electrorefining procedure is key to pyrochemical recycling of used nuclear fuel. This process removes the waste fission products from the uranium and other actinides (heavy radioactive elements) in the used fuel. The unfissioned uranium and actinides are then recycled to fast reactors. See, "The Basics of Pyroprocessing", [http://www.cse.anl.gov/pdfs/pyroprocessing\\_brochure.pdf](http://www.cse.anl.gov/pdfs/pyroprocessing_brochure.pdf) and "Nuclear Reprocessing", [http://en.wikipedia.org/wiki/Nuclear\\_reprocessing#Pyroprocessing](http://en.wikipedia.org/wiki/Nuclear_reprocessing#Pyroprocessing)

and no one can say for sure whether it differs dramatically from reprocessing. However, the study will last for ten years, indicating that the United States is in no hurry to change the terms of the civil nuclear pact. To distance the two technologies from one another, South Korea insists that the correct synonym for pyroprocessing is “recycling” spent fuel, not “reprocessing.”<sup>81</sup>

South Korea's willingness to become one of the top exporters of nuclear reactors and to lead the business makes it vital for South Korea to resolve the issue and clear the way for the potential reactor buyers. It recently bested leading U.S. and French firms to win its first major nuclear export agreement: a four-year, \$20 billion deal to export reactors to the UAE. Backed by the national government, the South Korean consortium, led by Korea Electric Power Corporation, reportedly offered a better price and more aggressive construction schedule than did competitors. South Korean President Lee Myung-bak flew all the way to Abu Dhabi during the award deliberations and later attended the signing ceremony in December 2009 with UAE president Sheikh Khalifa bin Zayed Al Nahyan which shows energy deals, nuclear business in this case, has become a national priority<sup>82</sup>. The ROK's economic and energy security interests in the nuclear sector are thus driving its side of the pyroprocessing debate.

### **The Extended Problem from Nuclear Reprocessing to Nuclear Export**

A South Korean consortium signed a contract in December 2009 to provide four commercial nuclear reactors to the United Arab Emirates (UAE) and this \$20 billion deal indicates that South Korea has completed the transition from passive purchaser nuclear plants in the 1970s to major nuclear technology supplier and a potential competitor in nuclear business for other world leaders in nuclear business.<sup>83</sup> In 1987, KEPCO embarked on an effort to establish a standard Korean design, selecting the System 80 design from

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<sup>81</sup> Lee Jeannette (2011), “The Politics of Spent Nuclear Fuel in South Korea”, p. 56.

<sup>82</sup> South Korea also won a \$132 million contract in 2010 to construct a research reactor in Jordan

<sup>83</sup> In the 1970s, South Korea launched its nuclear power program through the government-owned Korea Electric Company (now Korea Electric Power Corporation, KEPCO), which purchased the country's first nuclear power units from Westinghouse. In the early years of the Korean nuclear program, Westinghouse and other foreign suppliers delivered completed plants with minimal Korean industry input (Holt, 2013: 2).

the U.S. firm Combustion Engineering as the basis<sup>84</sup>. Combustion Engineering won the competition for the Korean standard design contract by agreeing to full technology transfer, according to KEPCO. The technology transfer program resulted in the development of the APR-1400 power plant, which is the design purchased by the UAE<sup>85</sup>. The South Korean and U.S. companies have involved in the UAE project have also worked together on the domestic South Korean nuclear power programmes in the past. If the UAE project is affected by the U.S. 123 agreement that the existing U.S.- South Korean agreement would require U.S. consent for any reprocessing or enrichment activities related to U.S. supplied materials and technology, it would mark a dent in the U.S. – South Korea relations. In the UAE deal, the South Korean consortium is headed by KEPCO and includes other major Korean industrial companies<sup>86</sup>. As the South Korean nuclear industry develops more reactor components of indigenous design, the opportunities for U.S. participation in South Korean export projects may diminish. Government ownership of KEPCO may also be a competitive concern for U.S. industry. While South Korea feels that the U.S. should give a green signal to pyroprocessing, peaceful nuclear sovereignty, and the export of nuclear technology by including a new clause during the renewal of their nuclear agreement. It should be observed that the energy element of South Korea's foreign policy has become a deciding factor in its course of making and breaking friends.

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<sup>84</sup> World Nuclear Association, "South Korea Country Report", as cited in Holt (2013), p. 3

<sup>85</sup> Westinghouse obtained the necessary authorization in March 2010 from the U.S. Department of Energy (DOE) to transfer information related to the technology to the UAE. A December 2009 peaceful nuclear cooperation agreement between the UAE and the United States, required for nuclear trade by Section 123 of the Atomic Energy Act, was intended to ease weapons proliferation concerns by stipulating that the UAE would not develop fuel cycle facilities to support its planned nuclear power program.

<sup>86</sup> The consortium also includes Pittsburgh-based Westinghouse Electric Company, which currently owns the U.S. design on which the Korean design is based, and the Japanese industrial conglomerate Toshiba, now the majority owner of Westinghouse

**COMPARATIVE ANALYSIS OF ENERGY SECURITY  
AND FOREIGN POLICIES OF  
INDIA AND SOUTH KOREA**

**Chapter  
5**

As this study reaches its conclusion part this chapter will attempt to analyse the energy security scenarios and foreign policies of India and South Korea with more facts and figures and give the findings of the research. The era that followed the economic liberalization of 1991 has seen the forces that had shaped the economy and outlook of the Indian state and the same forces have also changed the paradigm within which energy policy decisions are taken. The issues arising out of the impact of the forces that shaped the nation have impact on the internal and external dimensions of national policy making (Noronha (2008): 3). Growing dependence on oil imports, oil price that affect the domestic economy, resource nationalism of the supply countries, political and security stability of these countries and threat to energy transit route pose a bigger challenge to India's political, economic and security course actions. As Noronha rightly puts it "energy issues are becoming the lens through which many foreign and trade policy initiatives are being viewed, and part of the language of new diplomacy" (Noronha (2008): 3).

Except for coal, India is not well endowed with fossil fuel resources. A combination of aging infrastructures, half-hearted efforts in exploration and production (E&P), regulatory inconsistencies and dysfunctional pricing regimes have further added to its energy woes. Not surprisingly, India has increasingly relied on imports to meet its energy requirements, which in turn has meant that a growing number of external factors could impact its energy security. Acknowledging that energy interests had to be factored in the conduct of India's foreign policy, the Ministry of External Affairs set up an Energy security division in 2007. Prior to that in 1992, India's Central Energy Ministry was divided into the Ministries of Coal, Petroleum and Natural Gas, Non-conventional Energy Sources, and a separate Power Ministry (Lall Marie, 2009: 172). This, to the

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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researcher, is an important governmental action that marked the importance of energy that attracted special attention of the government to divide the energy ministry into different ministries in order to have a more focused and diversified strategies for energy security. In 1999, realising the mounting pressure for a holistic energy policy framework, India spelled out its energy concerns in a report called the Hydrocarbon Vision 2025<sup>1</sup>. This was prepared taking into account the energy related issue and two major actions were required to be considered brought out by this report to realize the vision: 1. Medium term (3-5 years) and 2. Long term (beyond 5 years)<sup>2</sup>. The broad vision that this report envisages is as given below

- To assure *energy* security by achieving self-reliance through increased indigenous production and investment in equity oil abroad.
- To enhance quality of life by progressively improving product standards to ensure a cleaner and greener India
- To develop hydrocarbon sector as a globally competitive industry which could be benchmarked against the best in the world through technology upgradation and capacity building in all facets of the industry.
- To have a free market and promote healthy competition among players and improve the customer service
- To ensure oil security for the country, keeping in view strategic and defence considerations.

As far as the main objectives of the exploration and production sector of energy sources are concerned, apart from tapping the hydrocarbon potential and optimizing production of crude oil and natural gas from Indian sedimentary basins, it aims to keep pace with technological advancement and application and be at the technological forefront in the

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<sup>1</sup> The Vision 2025 is a policy document formulated by a group of ministers comprising the minister of petroleum and natural gas, the finance minister, the external affairs minister and the deputy chairman of the Planning Commission.

<sup>2</sup> Read, *India Hydrocarbon Vision 2025*, at [petroleum.nic.in/docs/reports/vision.doc](http://petroleum.nic.in/docs/reports/vision.doc)

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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global exploration and production industry<sup>3</sup>. The report expands its objectives and action to external policy and oil security. It clearly states in its Medium term actions to put in place a comprehensive policy to include total deregulation of overseas Exploration and Production (E&P) business and empowering them to compete with international oil companies with provision of fiscal and tax benefits. The action agenda emphasizes on a focused approach for E&P projects and building strong relations in focus countries with high attractiveness like Russia, Iraq, Iran and North African countries<sup>4</sup>. In its objectives, both medium and long term, the Hydrocarbon Vision clearly outlines the need to pursue diplomatic and political initiatives for import of oil and gas from neighbouring and other countries. In the medium term objective, as far as gas is concerned, the vision document gives extra emphasis on transnational gas pipelines (India Hydrocarbon Vision 2025: 3).

Similar to India's efforts to ensure energy security to support its burgeoning economic growth, South Korea which almost does not have any natural resources and particularly energy resources had also devised similar policies to ensure energy security. In 2008, the South Korean government on the basis of the Article 41 of the Basic Law on Low Carbon Green Growth and Clause 1 of Article 10 of the Energy introduced the Energy Master Plan in pursuit of energy resources and management of energy in an effective manner. This will be revised and re-implemented every five years over a period of twenty years. The Energy Master Plan is reviewed and approved by three separate entities in a three-step process:

- National Energy Committee
- Presidential Committee on Green Growth
- State Council

The Key Features of the Master Energy Plans are as given below:

1. Matters concerning trends and prospects of domestic and overseas demand and supply of energy
2. Matters concerning measures for stable import, supply, and management of energy

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<sup>3</sup> Ibid., p. 2.

<sup>4</sup> *India Hydrocarbon Vision 2025*, p. 3



## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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3. Matters concerning the targets for demand of energy, the composition of energy source, the saving of energy, and the improvement of efficiency in the use of energy
4. Matters concerning the supply and use of environmentally friendly energy, such as new and renewable energy
5. Matters concerning measures for the safety control of energy; and
6. Matters concerning the development and diffusion of technology related to energy, the training of professional human resources, international cooperation, the development and use of natural resources of energy, and welfare in energy.
- 7.

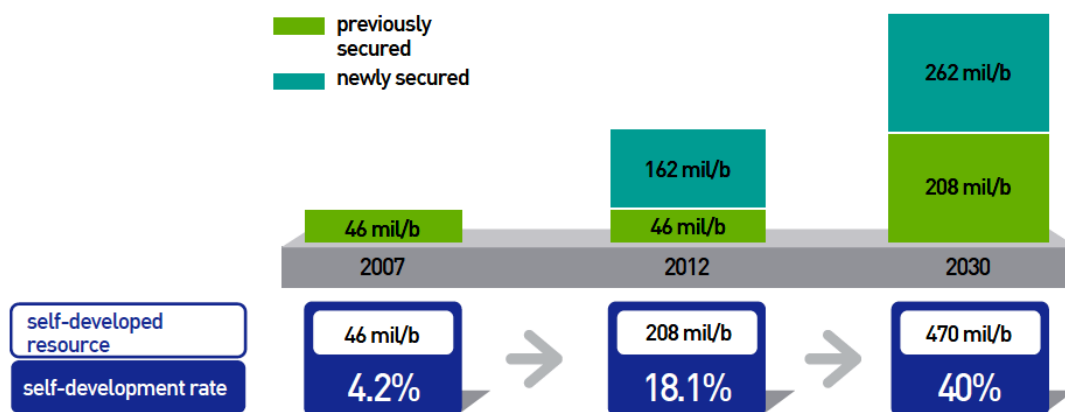
Like India's Vision 2025, the Energy Master Plan is a comprehensive plan that covers all energy sectors, and systematically links and coordinates energy related plans from a macro perspective. As an overarching plan, it presents principles and directions for energy-related plans source-by-source and sector-by-sector. The main purpose of the plan is to provide a fundamental philosophy and vision for mid-to-long-term energy policy while suggesting major targets to help realize these ends.

### **Changing Direction in Energy Policy**

Until 1990s the major policy objective was to secure a stable and affordable supply of energy needed for economic growth, daily life, and industrial production. The energy sector was dominated by public monopolies, and energy prices were directly regulated by the government, with a priority on achieving rapid economic growth. In the case of petroleum products, oil prices were liberalized in 1997. However, prices continued to be related for electricity, gas, heat, etc. one of the key elements of the policy was to fine-tune its overseas resource development strategy to secure adequate energy resource for an uninterrupted economic growth. It devised points for innovative efforts that are needed to raise the self-development rate for overseas resources in view of South Korea's high dependence on energy imports which on an average stands at 96 per cent.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

Figure 5.1 - South Korea's Overseas Resource Development



Source: Ministry of Trade, Industry & Energy (2014), *Korea Energy Master Plan: Outlook & Policies to 2035*, p. 13

The second Energy Master Plan, devised in 2012, has imposed many points to be followed for a better implementation of energy security policies including building overseas resource development capacity and achieve a renewable energy deployment rate of 11%. The main tasks with the above mentioned objective are to reinforce public resource development enterprises, expand renewable energy deployment, enhance international cooperation, etc<sup>5</sup>.

### Africa in India and South Korea's Energy Security Calculus and Course of Foreign policy

India and South Korea's relations with the African continent have had different political and ideological orientation and approach towards the region. In modern times, India's involvement in the decolonization and freedom of African countries is widely appreciated across political communities in India and outside. Jawaharlal Nehru argued that peace could come only when nations were free and when human beings had freedom, security and opportunity, and "Freedom and peace are indivisible" was his favorite refrain<sup>6</sup>. Sharing a past that had witnessed similar struggles against colonialism, poverty and

<sup>5</sup> Ministry of Trade, Industry & Energy (2014), "Korea Energy Master Plan: Outlook & Policies to 2035", Government of Republic of Korea, p. 30

<sup>6</sup> p. 20, Chhabra, Hari Sharan (1989), *Nehru and Resurgent Africa*.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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illiteracy, Africa was Nehru's main concern after attaining India's independence as he often said "no people had suffered so much from colonialism and racialism as the people of Africa"<sup>7</sup>. India's relations with Africa can be seen in its struggle for freedom and justice for Africa. The new era of globalization and India's own new economic policies since 1991, which is a transition from state-controlled development policy to neo-liberal policy, both of which work on the basis of intense interdependence and mutual cooperation have augmented the relation between the two parts of the world and acquired new significance in each other's foreign policies.

India's relation with Africa is demonstrated by a strong sense of continuity of the core principles of the 1954 *Panchsheel* principles, adopted by the original 1955 Bandung Conference, for peaceful coexistence, based on mutual respect, non-aggression, non-interference, equality and mutual benefit<sup>8</sup>. India's approach towards Africa is based on its history which projects India's solidarity with African countries during their struggle for freedom from colonial rule which differentiates India's role from the West and even currently China's new found fervor in the continent for economic benefits.

The main factors that changed the way India pursued its foreign policy specifically foreign economic policy was inflation and balance of payments (BOP) constraints. The precarious situation that prevailed during the troublesome period caused by Iraq's invasion of Kuwait in 1990 and the subsequent Gulf War in the early 1991 and the growing consensus among major political parties for the need of shift in India's economic policy and reforms facilitated the imperative for the economic policy change that reflected in India's foreign economic policies and altered its course of relations with other countries. As noted by many political observers, India's development cooperation strategy towards Africa, in line with the principle of South-South cooperation, has been only accelerated by India's competition with China and this competition mainly focuses

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<sup>7</sup> soon after India's independence, Nehru initiated a programme of providing scholarships to Kenyan students for he viewed this as India's contribution towards helping Kenya's march towards freedom (Chhabra 1989).

<sup>8</sup> Daniel Large, "India's African Engagement", <http://www.lse.ac.uk/IDEAS/publications/reports/pdf/SR016/SR-016-Large.pdf>

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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on diplomatic influence, oil and markets for goods (Sinha, 2010: 77). Apart from the unlimited potential for trade and investment, growing political stability, impressive economic revival and improved credit rating of many African countries, Africa's support for India's place in the UN Security Council and uninterrupted energy supply for a sustained energy security and economic growth are played behind India's future oriented diplomatic engagements. India places high importance on West Africa and Central Asian countries for the energy supply from these countries. India's public sector company Oil and Natural Gas Corporation (ONGC) has been cooperating with several national and multi-national companies in exploring oil and gas in Libya, Sudan, Ivory Coast, Egypt, Nigeria, Angola and many other countries.

As discussed in chapter 3, India's energy ties with Africa are relatively new and still developing. At the heart of India's interest in Africa's energy resources is a growing dependency on energy imports, due to increased demand for energy and a lack of domestic resources to meet that demand. Africa owns 13 percent of world's known oil reserves with Angola, Nigeria, Libya and Equatorial Guinea being the continent's leading oil producers (Beri, 2009). Economic interests weigh heavily in its relation with Africa. India has been eagerly involved in tapping into Africa's rich oil resources which would help diversify its source of energy resources away from the volatile West Asia. Africa also serves as an increasing destination for India's exports which has been growing in volume, though not comparable to that of China's. India has been promoting its trade relations with Africa through political and economic initiatives.

During the end of 1990s India was closing down diplomatic missions in Africa as an economy measure which reversed at the dawn of the twenty-first century with India maintaining 26 embassies or high commissions in the African continent in addition to honorary consul-general in 15 countries that don't have resident ambassador or high commissioner (Pham, 2003: 121). In a diplomatic effort, India's Ministry of External Affairs created three joint secretaries to manage three regional divisions which had only one joint secretary until 2003 (Pham, 2010: 121). Economically, India has launched the India-Africa Partnership Project and Focus Africa Programme through Export-Import

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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Bank of India to deepen the economic ties with Africa (Eberling, G. George, 2014: 95). India's policy to increase the economic activity in Africa lies in its competition with China, which has already established a strong political and economic presence in the continent. However, in comparison to China's presence in the region that mainly focuses on trade and aid India has been engaged in empowerment and infrastructure development which connects directly Africans in India through the India Technological and Economic Cooperation (ITEC) and also through Special Commonwealth African Assistance Programmes (SCAAP) (Beri Ruchita, 2009: 44).

India has been assisting many African countries through Focus Africa Programme which was established during the 8<sup>th</sup> NAM Summit at Harare. Covering over 24 African countries this programme has been instrumental in assisting in Indian exports in these countries. This programme's economic hand is visible through its targeted engagement with regional economic blocks such as the Economic Community of West African States (ECOWAS) and the Common Market for Eastern and Southern Africa (Mawdsly, 2011: 19).

India announced \$5.4 billion as Line of Credit in the first India Africa Forum Summit in 2008 and \$5 billion in the second summit in 2011 (Ganapathi, 2014: 3). There have been a greater role played by Indian enterprises both public and private due to African countries appetite for rapid economic development combined with democratic political process and India's growing need for energy and future market (Yadav, 2014: 41). From the mid 1990, organizations like Confederation of Indian Industries (CII), the Associated Chambers of Commerce and Industry (ASSOCHAM), the Federation of Indian Chambers of Commerce and Industry (FICCI), and the Federation of Indian Exporter's Organization (FIEO) identified Africa as a thrust area that resulted in launching and promotion of many economic and business cooperation programmes (Yadav, 2014).

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

**Table 5.1 - India's Development Cooperation with African Regional/Multilateral Bodies**

Institution	Countries	Trade
African Union	53	African Export-Import Bank - \$30 million LOCs from EXIM Bank of India. NEPAD - \$200 million LOC from EXIM Bank
Southern African Development Community (SADC)	14	Eastern and Southern African Trade and Development Bank (PTA Bank) - \$25 million LOCs from EXIM Bank of India
Eastern African Community (EAC)	10	East African Development Bank - \$5 million LOC from EXIM Bank of India
Economic Community of West African States (ECOWAS)	15	West African Development Bank - \$10 million LOCs from EXIM Bank of India
Common Market for Eastern and Southern African Countries (COMESA)	20	ECOWAS Bank for Investment and Development - \$250 million LOCs from EXIM Bank of India
Economic Community for Central African States (ECCAS)	11	Overlap with EAC (East African Development Bank) and Eastern and Southern African Trade and Development Bank (PTA Bank)

Source: Extracted from Sinha, Pranay Kumar (2010), "Indian Development Cooperation with Africa". P.87

Africa has been the top trading region for India and major chunk of India's economic grants and aid have also been channeled to many African countries. Over the ten years, India's trade with the region has been on the rise. India's trade with energy resource exporting countries of Africa has been on the rise. Many private and public infrastructure-building concerns have also made considerable headway in Africa. KEC international has projects in Algeria, Ethiopia, Ghana, Kenya, Libya, Mozambique, South Africa, Tunisia, and Zambia (Pham, 2010: 120). Government-owned concerns were also encouraged to venture into the region which resulted in RITES, a consultancy owned by the Indian Ministry of Railways, having consulting contracts in Kenya and Mozambique and involving in road design work in Ethiopia and Uganda while the Iacon International,

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

owned by the Ministry of Railways, building railways in Algeria, Mozambique, Nigeria, Sudan, and Zambia (Pham 2010: 120).

**Table 5.2 - India's Trade with Africa, 1997-2013**

Total Trade (USD Mn)	2000-01	2005-06	2012-13
Southern Africa	1,470	4,576	24,005
West Africa	1,226	3,020	22,788
Central Africa	81	185	1,161
East Africa	653	1,661	9,894
<b>Africa – total</b>	<b>3,431</b>	<b>9,442</b>	<b>57,848</b>
<b>India's total trade</b>	<b>7,369</b>	<b>21,522</b>	<b>1,16,654</b>

Source: Reserve Bank of India, figures as shown in Sridharan (2014), “The Emerging Foreign Assistance Policies of India and China: India as a Development Partner”. P.32

India's special interest in the African region could be seen through its effort to bring the African continent and India together for mutual development. Until recently, India's energy trade in Africa focused mainly on two countries: Nigeria for oil and South Africa for thermal coal. However, this has undergone a great change as India has been diversifying its energy ties beyond these two countries. African countries account for 20-30 percent of India's oil import (Jagtiani, 2012: 5). The oil rich West African region has been India's diplomatic concentration point. It has stepped up many diplomatic offensives in this region. In a strategic move, India pledged \$500 million concessional LOC to eight West African countries – Burkina Faso, Chad, Equatorial Guinea, Ghana, Guinea-Bissau, Cote d'Ivoire, Mali and Senegal – with whom the TEAM-9 initiative has been formed for different projects and initiatives<sup>9</sup>. India's aim to strengthen its tie with the western region is reflected in the economic front also. In 2002, of the total export from Africa to India, around 60 percent of export was attributed to Southern Africa, while

<sup>9</sup> Given the fact that almost 70 percent of Africa's oil wealth is concentrated in West Africa's Gulf of Guinea this move supports the India's aim to be an influential force in the region for its future goals. Pradhan (2012: 288).

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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the Western Africa accounted for only 16 percent of the total. In a decade time, conversely, Western Africa's share increased to 40 percent while Southern Africa's share shrunk to 24 percent (CII, 2015: 30). India's State-owned Oil Enterprises (SOOEs) including ONGC, Bharat Petroleum Corporation Ltd (BPCL) and Gas Authority of India Ltd (GAIL) have a relatively stronger foothold in Africa to intensify their quest for African's oil. The increasing discovery of energy sources that also fall outside conflict zones of Africa makes the continent strategically important to India (Taylor, 2012: 791).

China's diplomacy to influence resource rich countries makes it important for India to position itself to become an influential economic power in the coming decades to achieve its political and economic foreign policy goals. Nigeria has been a pivotal energy partner for India over a decade. Nigeria accounts for almost 15 percent of India's total oil imports (Cheru 2011: 187 and Lahiri Dilip, 2009: 35). Nigeria's economic growth makes it a potential regional hegemon competing with South Africa as an economic powerhouse<sup>10</sup>. Nigeria as a source of energy resources and future export destination makes it all the more important for India to recourse its foreign policy towards this nation. India saw the prospects in energy and economic front in its future scope of relations with Nigeria.

As the sixteen years of military rule ended in Nigeria and the election of President Olusegun Obasanjo was a sign for India to make use of the new government set up and make inroads into the West African country. President Obasanjo was a guest of honour at India's Republic Day Celebrations in January 2000. Without wasting much time in March 2000, then foreign minister Jaswant Singh indicated India's willingness to rehabilitate the Lagos-Kano rail link, review the Ajoukuata steel plant and set up a 110 MW power plant (Vasudevan 2010: 9). This shows India's willingness to grab the chance to revive its relation with Nigeria. Apart from its state owned oil companies investments in Nigeria, India's efforts to make inroads into Nigerian energy resources was apparent

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<sup>10</sup> Nigeria is the second best investment destination in Africa, according to a survey conducted by the Africa Business Panel in 2011. Nigeria is the most populous and one of the largest consumer markets in Africa. See, [http://www.ficci.com/international/75115/Project\\_docs/Nigeria-june.pdf](http://www.ficci.com/international/75115/Project_docs/Nigeria-june.pdf) and Vasudevan, 2010: 3



## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

with its state owned OVL teamed up with Mittal Steel Ltd. to form a new entity ONGC Mittal Energy Ltd. (OMEL) and agreed to an investment for \$6 billion infrastructure deal with Nigeria in exchange for access to some of the best oil production blocks (Pham, 2011: 11). Though the deal was not complete, in 2007, India's power-producing company, the National Thermal Power Corporation (NTPC) was in full swing to clinch a deal to contribute towards a liquefied natural gas (LNG) terminal in Nigeria with an aim to enable NTPC to export natural gas to its gas-fired stations in India (Vasudevan, 2010: 7). Not let down by this, India's Petroleum and Natural Gas Minister Murli Deora made an official visit to Nigeria and expressed his willingness to participate in Nigeria's nascent master plan for gas development, to be specific in the construction of petrochemical plants, LNG and LNG pipelines (Pham, 2011: 13). ONGC has invested over \$2 billion in Sudan's energy sector.

**Map 5.1. - Oil Infrastructure in Sudan and South Sudan**



Source: U.S. Energy Information Administration, Country Analysis Brief: Sudan and South Sudan

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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Sudan is one such country with which India has involved in close relations in the last decade. Since 2003, India has been involved in production and distribution of hydrocarbon resources in Sudan (Spread over Sudan and South Sudan) and the resources are shipped to India via Red Sea. India has oil stakes in Sudan and it jointly operates the Greater Nile Petroleum Operating Company (GNPOC) in consortium with CNPC of China, Petronas of Malaysia and Sudapet of Sudan<sup>11</sup>. Four percent of Sudan's oil was exported to India in 2011 and annual oil import from Sudan accounts for less than 1 percent of India's crude oil (Eberling, 2014: 99). India's aid through Lines of Credit (LOCs) has in many ways benefitted Sudan over the years. Agricultural projects, construction projects, power generation projects, and sugar industry rehabilitation were the thrust areas in Sudan that benefitted by India's LOCs (EXIM Bank of India, 2011: 19).

India's policy to foster close relations with countries rich in resources has undergone vital changes over the years from its traditional foreign policy characteristics. India's energy calculations have driven her to change its foreign policy with some countries which would be unthinkable for India under normal circumstances (Kumaraswamy, 2008: 187). Because, Sudan was amidst the internal turmoil and at the receiving end of international criticism largely for its human rights violations and it was facing condemnation from many countries and even isolation on the charges of human rights violations (Kumaraswamy, 2008: 187). But, India was concerned about its energy investment and did not back down from its commitment from its energy tie with Sudan on the grounds of human rights violation charges. In, 2002 the then Minister of Petroleum and Natural Gas of India Ram Naik was quoted as saying "...in India we don't have such feelings on this issue. My greatest interest is to have equity oil as soon as possible."<sup>12</sup>

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<sup>11</sup> India has 25% participating interest (PI) in this Greater Nile Oil Project. See, [http://mea.gov.in/Portal/ForeignRelation/South\\_Sudan\\_July\\_2014.pdf](http://mea.gov.in/Portal/ForeignRelation/South_Sudan_July_2014.pdf), p.2

<sup>12</sup> Read, Padukone 2012 <http://pragati.nationalinterest.in/2012/09/indias-involvement-in-the-sudan/>

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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Padukone (2012) opines that this position reflects the realist orientation of India's foreign policy as in non-intervention in the internal affairs of countries outside the South Asian region and the strategic and economic interests matter more in foreign policy actions. After the bifurcation of Sudan, India has been improving its diplomatic relations with South Sudan. India was one of the first countries to recognize independent South Sudan and the Vice President of India Hamid Ansari attended the Independence day celebration in Juba in July 2011. In fact, India was the first Asian country to recognize South Sudan headed by President Gen. Salva Kiir Mayardit<sup>13</sup>. India's policy towards South Sudan is yet to take a shape, however India has diplomatically made the first move to start a cordial relation by recognizing the country. This foreign policy move should be viewed keeping in mind that 80% of Sudan's oilfields are located in South Sudan where OVL has major investment in oil production, oil refinery and multi product oil pipeline<sup>14</sup>. And the absence of a concrete revenue-splitting agreement between South Sudan and Sudan makes it a little tougher for India to devise strategy for its energy import.

India's relation with another oil rich African country Angola took a new turn with its new economic policy in 1991 at the helm that favoured permitting the international flow of goods, services, capital, human resources and technology without any restrictions. India's relations with Angola gained momentum only after the latter established its embassy in New Delhi in 1992. Though there wasn't significant political and economic relation between the two countries after signing of the Luena Peace Accord in 2002 the volume of trade and economic activities increased between India and Angola. It should be noted that Angola government bought military equipment in 1996 during the civil strife at its peak<sup>15</sup>. India ranks in top ten countries of import, export and trade partnership. Till the year 2003 there was almost no export from Angola to India where as India's export was \$62.49 million for the same year. But, the following years witnessed

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<sup>13</sup> See, [http://mea.gov.in/Portal/ForeignRelation/South\\_Sudan\\_July\\_2014.pdf](http://mea.gov.in/Portal/ForeignRelation/South_Sudan_July_2014.pdf)

<sup>14</sup> Upon secession of South Sudan from Sudan, Blocks 2A, 2B & 4N are in Sudan and Blocks 1A, 1B and 4S are in South Sudan. At present the total area of these Blocks under South Sudan is 18,515 sq.km. see, <http://www.ongcvidesh.com/assets/africa/>

<sup>15</sup> India appeared to have supported Angola in the past militarily through the UN peacekeeping forces during the Angolan Civil War (Eberling, 2014: 102). See also [https://en.wikipedia.org/wiki/Angolan\\_Civil\\_War](https://en.wikipedia.org/wiki/Angolan_Civil_War)

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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increased export from Angola, mainly oil, which amounted to \$5 billion in 2009 and in three years span the figure reached \$ 7.5 billion in 2012. In 2012, India became second largest trading partner of Angola after China, sharing about 10.6% of Angola's external trade<sup>16</sup>. In 2009 alone Angola exported 43 million barrels of oil to India, which accounted for 6.5% of Angola's total oil exports for that year. (Kiala, 2011: 13)). Angola is the second largest import source for India from the Southern African Development Community (SADC) after South Africa.<sup>17</sup>

The increased economic activity between Africa and India and India's interest in securing the Sea Lanes of Communications (SLOCs) because of India's energy import through these sea lanes, rise of fundamentalist, terrorist, trafficking of drugs and arms, increased piracy and most importantly China's 'string of pearl' make it pivotal for India to be active in its diplomacy with countries of Africa, especially on the eastern coast of Africa that fall under India's maritime strategic neighbourhood. India's cooperation with African countries has been extended in the area of security and defence as well. Indian Navy's presence has been increased in the Indian Ocean in providing maritime security cover India's contribution toward the region comes through UN peacekeeping missions in Africa.

India has been a major part in such missions and it has the third-largest troop contribution to the UN African peace operations (Mawdsley, 2011: 24). India, as part of its defense diplomacy to stretch its sphere of influence in the region, has been training thousands of military officers from a number of African countries in the military academies of its three branches<sup>18</sup>. During the visit of the then Prime Minister Manmohan Singh India signed a strategic partnership deal through Abuja Declaration with energy

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<sup>16</sup> see, <http://www.mea.gov.in/Portal/ForeignRelation/Angola-January-2012.pdf>, p.2 and [http://www.mea.gov.in/Portal/ForeignRelation/Angola\\_August\\_2014.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Angola_August_2014.pdf) at p. 3

<sup>17</sup> Petroleum crude accounts for almost the entire import value and import of other commodities is almost negligible. EXIM Bank of India, 2012: 189

<sup>18</sup> In the training fields India has military-to-military cooperation activities with almost one-third of the African countries. Dutta, 2008: 174

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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resource rich Nigeria<sup>19</sup>. During the African Union Summit held at Maputo in 2003 and during the World Economic Forum Conference in 2004 Indian naval ships, at the request of Mozambique government, conducted patrols off the African coast. India, through a defence agreement, has transferred patrol boats and helicopters to Mauritius including the supply of a patrol vessel in 2010. Since 2003, India's navy has been providing maritime security through periodic patrols in Mauritian waters including anti-piracy patrols in 2010 (Brewster, 2010: 8).

Showcasing the spirit of Indian foreign policy through South-South cooperation, India has been engaged in defence cooperation activities with South Africa through combined naval exercise comprising India, Brazil and South Africa (IBSA) along the Cape Town, called IBSAMAR with the purpose of tackling terrorism at sea. Training of submarine personnel of South African Navy, joint exercises, visits, and equipment cooperation are other areas of defence cooperation India has been engaged with South Africa (Dutta, 2009: 36).

India's diplomatic efforts with African countries have helped in many ways than one to augment its foreign policy goals and national interest. The one that matters to this topic would be India's nuclear status after the Indo-US nuclear agreement in 2008 was made possible by the support of South Africa at crucial IAEA and NSG votes, and also by the implicit support of most of African states despite being part of the 1996 African Nuclear Weapon Free Zone Treaty (Xavier, 2015: 571).

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<sup>19</sup> The then Prime Minister Manmohan Singh conveyed to the President Yar'Adua, "India attaches particular importance to exchanging views with the government of Nigeria not only on matters pertaining to Africa and West Africa but also on critical matters on the global agenda". See, Ministry of External Affairs, Bilateral/Multilateral Documents.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

**Table 5.3 -India's Major Defence Cooperation and Activities with African Countries**

Country	Defence Cooperation and Activities
<b>Nigeria</b>	<ul style="list-style-type: none"> <li>• Defence Attaché</li> <li>• Training/Courses in India</li> <li>• Special Forces Training</li> <li>• Establishment of IT laboratory</li> <li>• Gifting of defence equipment</li> <li>• Visits</li> </ul>
<b>Sudan</b>	<ul style="list-style-type: none"> <li>• Training cooperation since 1995</li> <li>• Courses in India</li> <li>• Contribution through United Nations Mission in Sudan (UNMIS)</li> <li>• Visits</li> </ul>
<b>Ethiopia</b>	<ul style="list-style-type: none"> <li>• Defence Cooperation since 1950</li> <li>• Cadets trained at IMA</li> <li>• Contribution through United Nations Mission in Eritrea and Ethiopia (UNMEE)</li> </ul>
<b>Kenya</b>	<ul style="list-style-type: none"> <li>• Defence Attaché</li> <li>• Courses</li> <li>• Supply of military hardware</li> <li>• Visits</li> </ul>
<b>Seychelles</b>	<ul style="list-style-type: none"> <li>• MOU on defence cooperation - Sep 03</li> <li>• Pacts to supply coastal surveillance radar systems and Dornier aircraft.</li> <li>• Joint Exercise</li> <li>• Deputation of experts/instructors</li> <li>• Equipment support</li> <li>• Visits</li> </ul>
<b>Mozambique</b>	<ul style="list-style-type: none"> <li>• MOU on defence cooperation – 2006</li> <li>• Agreement on maritime security - 2011</li> </ul>
<b>Mauritius</b>	<ul style="list-style-type: none"> <li>• Training</li> <li>• Gifting of equipment</li> <li>• Visits</li> </ul>
<b>Zambia</b>	<ul style="list-style-type: none"> <li>• Training Team since 1994</li> </ul>

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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<b>South Africa</b>	<ul style="list-style-type: none"> <li>• Courses under ITEC</li> <li>• Visits</li> </ul>
<b>Losotho</b>	<ul style="list-style-type: none"> <li>• Training (since 1998) and Defence Cooperation (since 2000)</li> <li>• Courses in India</li> <li>• Observers during exercise</li> <li>• Visits</li> <li>• Training Team since 2001</li> <li>• Visits</li> </ul>
<b>Eritria</b>	<ul style="list-style-type: none"> <li>• Contribution through United Nations Mission in Eritrea and Ethiopia (UNMEE)</li> </ul>
<b>Sierra Leone</b>	<ul style="list-style-type: none"> <li>• Contribution through United Nations Mission in Sierra Leone (UNAMSIL)</li> </ul>
<b>Congo</b>	<ul style="list-style-type: none"> <li>• Contribution through United Nations Organization Mission in the Democratic Republic of the Congo (MONUC*)</li> </ul>
<b>Botswana</b>	<ul style="list-style-type: none"> <li>• Training Team</li> </ul>

Source: Extracted from different sources with major contribution from Dutta (2008).

\* MONUC was renamed the United Nations Organization Stabilization Mission in the Democratic Republic of the Congo (MONUSCO).

Apart from this, at the United Nations the regional Africa group has been supporting India for the non-permanent seat in the Security Council<sup>20</sup>. India's strategic shift to ally with the U.S. to develop nuclear share in its energy mix after the 2008 civil nuclear agreement has again brought India to the doorsteps of African countries where it has attempted to source uranium from Niger, South Africa, and Namibia (Xavier, 2015: 569). Xavier (2015) attributes quest for external oil, coal, and other natural resources as the first driver of six drivers of India's new interest in Africa which reflects former Foreign

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<sup>20</sup> The regional group has supported seven times for India to become a non-permanent member at the Security Council particularly the recent 2011-12 election that helped India to get the seat with an impressive 187 votes. Xavier, 2015: 572.

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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Secretary Shivshankar Menon's statement that the first area of focus for India's foreign policy was its neighbourhood while the relations with the major powers and "issues of future, namely food security, water, energy and environment," constitute other core areas guiding Indian foreign policy (Chaudhury 2007).

### **South Korea and Africa**

As seen in Chapter 4 South Korea's energy diplomacy and import of resources were concentrated in West Asia till the early 1990s. This can be attributed to a couple of factors: 1. South Korea's emergence from a regional to global economic force in the late 90s and opening of its economy post-Asian financial crisis meant South Korea required to ensure sustainable energy security for greater foreign policy goals; 2. Lack of technological advancements to make successful energy exploration and extraction all over the world; 3. South Korea was largely dependent on U.S. alliance and did enjoy as much independence in its foreign policy formulations as it does now, and 4. The growing competition for energy with the rise of China and India meant that South Korea would be left behind if it doesn't act promptly catch up in the energy hunt and diversify its energy sources.

African continent became an indispensable part of South Korea's future trade and economic policies given the continent's growing economic promise to the world and abundance of energy and other natural resources. President Roh Moo-hyun's official state visits to African countries Egypt, Algeria and Nigeria in 2006 marked a new beginning in South Korea's foreign policy strategy towards the region. If Lee Myung-Bak showed personal interest in clinching nuclear deals with UAE during his visit to the gulf nation, his predecessor created the path to aggressive energy diplomacy. In March 2006 itself, South Korea's KNOC signed Production Sharing Contracts with Nigerian National Petroleum Corporation (NNPC) for the blocks OPL 321 and OPL 323 in the Gulf of Guinea. Roh's administration understood the need for action to ride with Africa's fortune as developing economies India and China had already established a strong foothold in the region and their competition was soaring high to outdo other competing middle powers in the region. Realising this, Roh's administration announced Korea's Initiative for African



## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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Development (KIAD) to support African countries' health infrastructure and health promotion, human resource development, administrative governance, agricultural productivity and to eliminate their digital gap through South Korea's official development assistance (ODA)<sup>21</sup>;

- Creation of the Korea-Africa Forum, a joint initiative between South Korea's Ministry of Foreign Affairs and the African Union (AU) to discuss common issues.
- The Korea-Africa Economic Cooperation (KOAFEC) initiative, jointly coordinated by South Korea's Ministry of Strategy and Finance and the African Development Bank (AfDB), and South Korea's EXIM Bank for trade and economic cooperation.
- The Korea-Africa Industry Cooperation Forum (KOAFIC), managed by the South Korean Ministry of Trade, Industry and Energy with a focus on bilateral industrial cooperation.

Such platforms offer opportunities for South Korea to engage in global issues actively. Comparatively, South Korea does not have a long history of political and development cooperation with Africa as India does. Lack of investment and institutional support minimizes South Korea's effort to engage all the countries of the continent. It has only 21 embassies which makes South Korea's foreign policy towards Africa selective and specific, focusing on few strategic partners. The diplomatic efforts by the Presidents Roh and Lee since 2006 is often dubbed as "resources diplomacy" as their late entry in to the African continent is seen cement the gap in ensuring its future for new markets and energy and natural resources (Kim, 2014).

South Korea has been keen in stepping up its diplomatic cooperation with the U.S. and Japan on mutual issues in Eastern Africa. This engagement has resulted in some security developments in the region. While securing its own strategic positions in the region, its activity along with Japan serve United States' regional peace and security goals. There has been a limited low-level military cooperation between the Japanese and

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<sup>21</sup> See, <http://forum.mofa.go.kr/eng/intro/info/summary/index.jsp>). Other outcomes of Roh's initiatives during his visit include (Darracq, 2014: 6.

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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South Korean contingents in the United Nations Mission in South Sudan (UNMISS). South Korea has increased its activities in Africa, particularly East Africa. It had opened new embassies in the regions, such as in Kampala, Uganda in 2001, following a 17-year diplomatic absence and South Korea's military activities in Africa span the continent as South Korean troops have been deployed in support of UN missions in Western Sahara, Darfur, Liberia, and Cote d'Ivoire. Outside of UN activities, South Korea has also deployed maritime forces in the Gulf of Aden to counter piracy activities. In 2009, South Korea's National Assembly approved the first foreign deployment of the country's naval forces to join the Combined Task Force (CTF-151) for the purpose of anti-piracy missions in the Gulf of Aden (Roehrig, Terence, 2012). South Korea's partnership with countries like India, which has a powerful presence in the Indian Ocean Region (IOR) gives the rationale for South Korea to protect the crucial sea lanes which is important for the safety of its energy imports and for its pursuit of a more strategic move of searching allies to address issues like piracy along the energy routes. As Nicholson (2015) contends, these military activities of South Korea at the outset can be directly attributed for its international commitment to the increased security in Africa, however the significant element of this grand strategy of military and diplomatic investments in East Africa is attributed to one of the hefty reasons i.e. the promising upstream petroleum potential for export to diversify its energy suppliers away from Persian Gulf suppliers. Another additional rationale attributed by the same author is that the long sea lines of communication pass through the Straits of Malacca and the Suez Canal which are the most congested and critical choke points, so maintaining a military capability along these energy and market routes always pays off prudently.

### **Latin America and the Caribbean (LAC)**

India's political and economic relation with the region of Latin America and the Caribbean (LAC) was almost negligible; the main factor for the reason could be attributed to distance and no historical contacts between the two throughout the history. The only way both the region could come in to contact was due to the British decision to bring Indian laborers to the Caribbean plantations. Latin America's direct connection

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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with India was recorded during pre-independence period of India when Argentina and Brazil responded to India's appeal and exported corn<sup>22</sup>. The post-independent period witnessed early relations booming between India and Brazil and Argentina of LAC with resident missions starting in Brazil in 1948, Argentina in 1949<sup>23</sup>. The period that followed witnessed exchanges of visits by the leaders from India and LAC and the focus of bilateral discussions during these visits concerned to adherence to sovereignty, strong opposition to nuclear weapons and reducing economic inequality within and among developing and wealthy countries.

However, closer political and economic contacts were not achieved between India and LAC due to LAC states' strong alliance with the U.S. and their rigid stand against international communism, whereas India in general took an anti-colonial and non-aligned position<sup>24</sup>. However, the post-Cold War era and India's economic rise changed the nature of interaction between LAC and India. India was looking for renewed political and economic engagement with every part of the world which didn't deter it from forging new partnership with Latin American countries for mutual economic growth. The new Indian economic policies initiated the export-promoting "Focus LAC" strategy in 1996 (Katju, 2011). The commerce Ministry launched an integrated programme "Focus: LAC" in 1997 considering the potential of the market in the Latin American region<sup>25</sup>. At the dawn of the 21<sup>st</sup> century India showed great interest in trade and investment with the key states of the region. In 1997 the total trade between India and Latin America was \$900 million which grew to \$1.5 billion in 2000 and in 2012 the total trade reached a whopping 41 billion which is more than 4000 percent increase in a span of fifteen years<sup>26</sup>. Brazil, Venezuela, Mexico, Chile, Argentina, Colombia, Peru, Ecuador and Panama account for more than 80 percent of the trade between India and LAC (Shidore, 2013:

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<sup>22</sup> Prospect of a deadly famine was looming in India in 1946 due to the World War 2 that brought serious food shortages. N.P. Chaudhary (1990), *India's Relations with Latin America*, New Delhi: South Asian Publishers. Cited in Shidore, Sarang (2013), *New Frontiers in South-South Engagement: Relationship Between India and Latin America & the Caribbean*.

<sup>23</sup> Later in 1957, 1960, 1962, 1968, 1970 and 1972 resident missions followed in Chile, Mexico, Cuba, Peru, Colombia and Venezuela respectively. Ibid., p. 8

<sup>24</sup> Ibid., p. 9

<sup>25</sup> For the objectives and effectiveness of the strategy see, <http://commerce.nic.in/flac/flac1.htm>

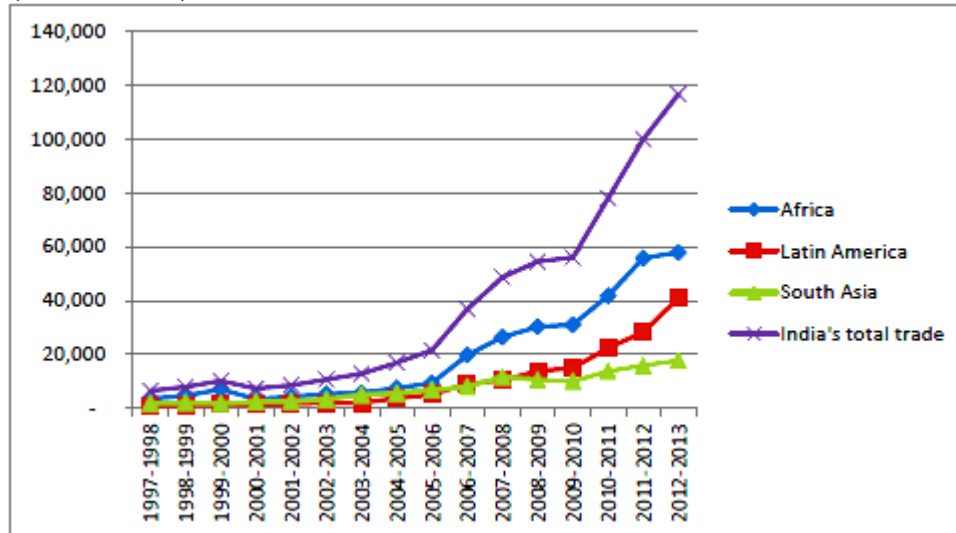
<sup>26</sup> Data extracted from the website of the Ministry of Commerce and Industries, Department of Commerce, Export Import Data Bank. For more visit <http://commerce.nic.in/eidb/ergnntq.asp>

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

12). India, through its ODA programmes, has started contributing for the region's technical assistance. Through its International Technical and Economic Cooperation (ITEC) fund India has been involved in assistance programme, though this is not comparable to its assistance to its neighbours and the African region. India, in its efforts to strengthen the relation with the region, has been involved in such assistance programmes like establishing solar panels in LAC countries like Cuba and Costa Rica, constructing bridge in Georgetown, Guyana and responding to natural disaster in several Central American Countries (Tuchman 2010).

Since the dawn of the century there have been sizeable growth in trade and investment, preferential trading arrangements (PTA) and special relations; bilateral visits at ministerial and summit levels; and cooperation at the multilateral level in different constellations, depending on the subject area and commonalities in interests (Destradi, 2013: 2), such as G-20+. O-5, IBSA, G-4, Brazil, Russia, India, China and South Africa (BRICS) and Brazil, South Africa, India, and China (BASIC) ( Katju, 2011: 1).

**Figure 5.2 - India's Trade with Latin America in Comparison with South Asia and Africa (US\$ million)**



Source: Reserve Bank of India (RBI) as produced in Sridharan (2014)

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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However, as far as political relation between the India and LAC is concerned, there were challenging elements in their alliance due to the fact that in some cases their economic models move in opposite direction. India's closer relation with the U.S. since 2006 which was an irritant to Venezuela which is opposed to the capitalistic U.S. policies. Venezuela's late President Chavez, when visited India he expressed his willingness to "support India's industrial growth" through energy security<sup>27</sup>. Though, India was inching closer to the U.S. with civil nuclear agreement during this period that did not deter it from shaking hands with Venezuela. India gave full approval to the cooperation between ONGC and Venezuela's national energy company, Petroleos de Venezuela, S.A. (PdVSA) which ensured the shipping of 2 million barrels of oil to India in 2006 (Jiang, 2006: 16). Destradi (2013) contends that India's foreign policy to align with countries of different regions with different political orientation and economic models only point out that India's foreign policy has become more pragmatic characterized by willingness to cooperate with various countries without becoming a political partner or completely depending on any one or set of countries' partnership.

Though this looks more ambivalent, the matter of the fact is that India's foreign policy seeks diversified international partnerships as it suits its political and economic interests. The growing economic interests, in the case of Venezuela and Brazil the energy security and food security calculations, contribute to the increased trade with the region. In recent times, as India has made energy security as a national priority, it has spotted its eyes on Latin America for want of energy resources which has led to India's substantial investment in equity oil and gas. Energy may not be the sole factor in its relation with LAC countries; however, the energy and resource sectors are the key sectors of India's Latin American engagement as they represent the most dynamic part of the economic relations forged in the region in recent years (Weintraub, 2007).

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<sup>27</sup> Venezuela, which maintains closer ties with China, not only sold more than \$3 billion crude to refineries in India in 2003, it also helped India build new refinery capacity to handle heavy crude processing. Weintraub 2007: 85.

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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India aims for a long-term energy supply for its uninterrupted economic growth which is reflected in its steady growth in oil imports from Latin America with a figure of 9 percent of total imports by 2011 from only 0.5 percent in 2005 (Shidore, 2013: 17). India has been building a focused partnership with countries like Brazil and Venezuela which are rich in energy resources. India, over the years, has established a strong relation with Venezuela which is an ‘oil superpower’ with largest oil reserves in the Western Hemisphere. Venezuela emerged as one of the largest trading partners in Latin America with continued crude oil supply to India. The bilateral trade between the two countries stood at \$14.35 billion in 2012-13. ONGC Videsh Limited (OVL), Indian Oil Corporation (IOC) and Oil India Ltd. (OIL) are part of the \$20 billion Carabobo oil project in the Orinoco belt of Venezuela and the project aimed at producing 400,000 barrels per day in four years<sup>28</sup>.

India’s Reliance company that is involved in offshore production business, has developed long-term partnership buying crude oil from Mexico, Venezuela, Ecuador, and Brazil (Tuchman 2010). In 2005, India’s ONGC, Videsh Ltd. (OVL) was looking into the Ecuador’s EnCana’s assets for which Chinese companies were also bidding. Even though the Chinese won the bid, Ecuador offered other substantial joint venture opportunities for OVL (Weintraub, 2007: 286). OVL also purchased a 30 percent stake in seven blocks offshore Cuba, which covers an area of 7,400 square miles and has potential reserves for more than 4 billion barrels (Weintraub, 2007: 286). Essar Oil, a subsidiary of India’s Essar Group, has got the agreements with most Latin American countries to extract heavy oil and bought more than 10 million tons of crude oil from Venezuela, Colombia, Mexico, Brazil, and Ecuador in 2012 and prior to that, ONGC Videsh bought 15 percent of Brazil’s oil fields at the auction in 2006 (Destradi, 2013:5).

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<sup>28</sup> PTI (2013), “India, Venezuela Decided to Explore New Areas of Cooperation”, *Economic Times*, Dec 20, 2013, URL: [http://articles.economictimes.indiatimes.com/2013-12-20/news/45418123\\_1\\_indian-oil-corporation-oil-india-ltd-orinoco](http://articles.economictimes.indiatimes.com/2013-12-20/news/45418123_1_indian-oil-corporation-oil-india-ltd-orinoco)

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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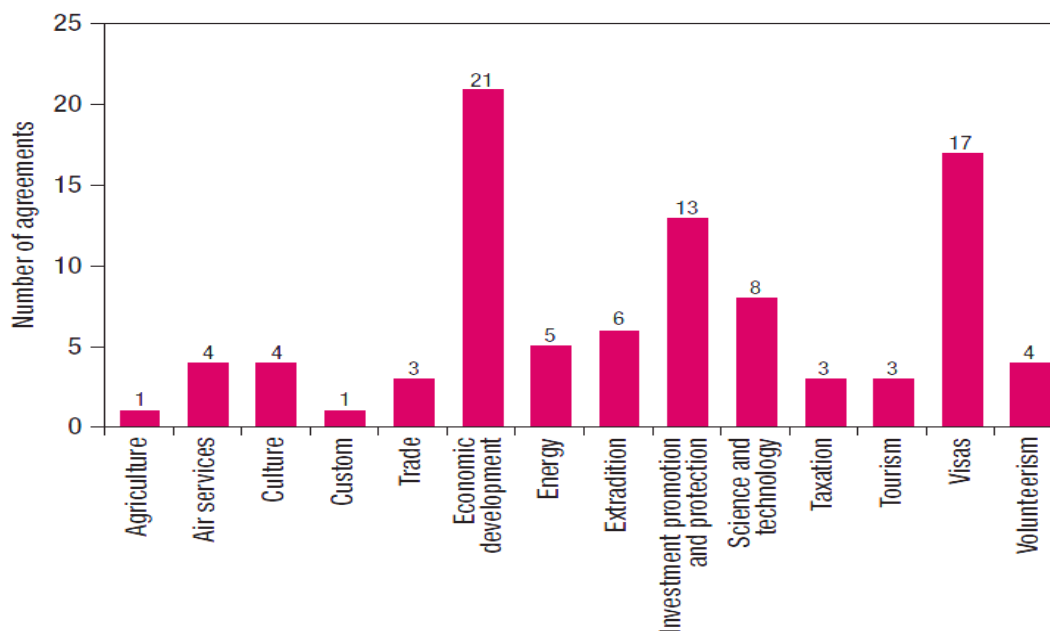
### **South Korea and Latin America**

South Korea's traditional foreign policy towards Latin America, during the Cold War period, was based on anti-communist ideology and that was recognized and backed by the most of the Latin American countries which in a political way supported South Korea's initiatives to obtain legitimacy and recognition by the international community (Kim 1998). South Korea's traditional foreign policy after the Korean War, before its admission to the United Nations in 1991, and before the demise of the Soviet Union was primarily to ensure its own security by following an anti-North Korea and anti-communist policy in its conduct of international affairs (Kim 1998). South Korea concentrated on gaining the international support and recognition for the Korean unification question. South Korea's increased economic growth, its policy of '*nordpolitik*' in an effort to normalizing its relation with China and the Soviet Union and later the disintegration of the Soviet Union with the emergence of new world order witnessed South Korea diversifying its economic relations through trade and investment with the developing world. As South Korea's economy was expanding it required international markets for its uninterrupted economic growth. Latin America and the Caribbean is a great opportunity for the Korean plans of diversifying its export destination as well as import source for natural resources for its energy and food security.

Trade between South Korea and Latin America and the Caribbean (LAC) has been growing in a paced manner, while the trade between the two had been increasing by 17 percent a year on average since 1990, in 2012 it reached \$54.4 billion to show how the relation has been a sustained one shows lots of promise for the future. LAC has become a fastest growing region only after the West Asian region for total trade with South Korea. South Korea has also inked free trade agreements (FTAs) with Chile, Peru, and Colombia which shows South Korea's growing economic interest in the region (IDB (2015)). The figure below shows the number agreements signed between South Korea and LAC between 1990 and 2012.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

Figure 5.3 - South Korea's Agreements with LAC countries (1990-2012)



Source: IDB (2015)

South Korea has been engaged in many foreign direct investment projects in LAC countries. From January 2003 to 2015 it had announced a total of 170 foreign direct investment projects with an estimated investment amount of nearly \$20 billion<sup>29</sup>. Like India, which has been providing assistance to developing countries since Independence, South Korea has over the past two decades engaged in direct assistance programmes with many developing countries. Compared to India's ODA to LAC, South Korea's ODA has been an impact creator in the relation between South Korea and LAC countries. ODA has been an instrument for South Korea's reach in different regions of the world. South Korea's ODA has climbed sharply in the past decade to US\$1.31 billion. Though South Korea's ODA contribution to Latin American countries is not comparable to that of its contribution to Asian and African countries, still it is steadily growing over the years. In 2012-13, LAC received approximately 7% of South Korea's total ODA<sup>30</sup>.

<sup>29</sup> ECLAC (2015), "Trade and Investment Relations Between the Community of Latin American and Caribbean States (CELAC) and its Strategic Extra-regional Partners", [Online: web] Accessed 23 November 2015 URL: PDF FILE NAME Korea and India's investment p. 22 & 23.

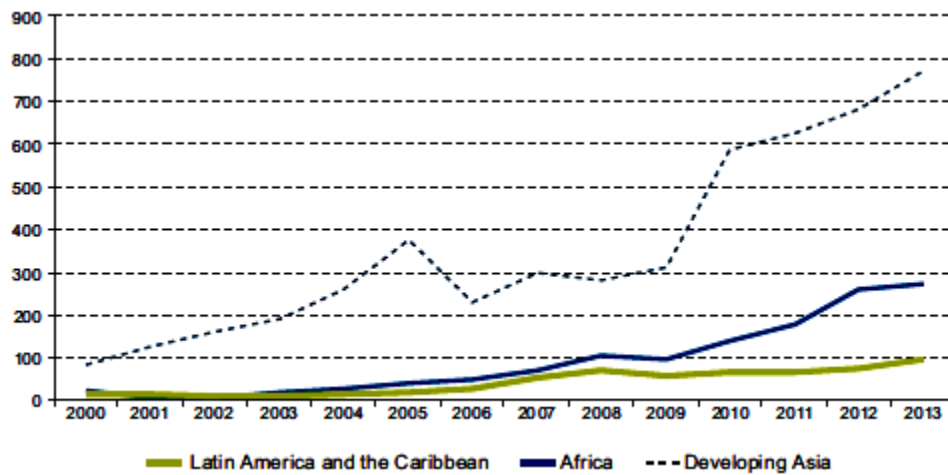
<sup>30</sup> Between 2000 and 2013, South Korea disbursed a total of US\$ 587.4 million in cooperation funds to LAC of which roughly 53% went to South America, which the remaining 47% went to Central America, the Caribbean and Mexico. ECLAC 2015:30.



## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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**Figure 5.4 - South Korea's ODA Assistance in Three Regions 2000-2013 (Millions US\$)**



Source: ECLAC 2015

South Korea has been pursuing rigorous energy diplomacy as a leading tool for its foreign policy to fulfill its national interests. Though unavoidable, South Korea has been attempting to diversify its energy import sources by clinching different energy deals with countries of other regions including LAC. It has been promoting a number of oil and gas development projects six countries of LAC: Argentina, Colombia, Peru, Brazil, Venezuela and Bolivia (Some of these countries are providing favorable open policy in oil development while others have a rigid policy with regard to foreign activity (Barbieri, 2011: 18).

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

**Table 5.4 - South Korean Companies' Energy Projects in LAC**

Country	Project	Korean Companies
Venezuela	Onado (Production)	KNOC
Colombia	CPE7	KNOC
	CP02	KNOC
	CP03	KNOC
	SSJN-5 (Exploration)	SK
	CP04 (Exploration)	SK
Bolivia	Palmar (Production)*	Dong Won
	Palmer del Oratorio (Exploration)	Dong Won
Peru	Peru 8 (Production)	KNOC, Daewoo, etc.
	Peru 88 Camisea (Production)	SK
	Peru 56 (Exploration)	SK
	Z-46 (Exploration)	SK
	Peru 115	KNOC
	Savia Peru	KNOC
Argentina	Palmar Largo (Production)	Dong Won, etc.
	El Vinalar (Production)	Golden Oil
	Santa Victoria (Exploration)	Dong Won
	La Brea (Exploitation)	Petroterra
Brazil	BMC-8 (Exploration)**	SK
	BMC-30 (Exploration)**	SK
	BMC-32 (Exploration)**	SK
	BA-B (Exploration)	SK
<b>Total</b>	<b>20</b>	

Source: Ministry of Knowledge Economy (MKE), KEELI, KNOC, SK and Golden Oil, extracted and produced in Barbiera (2011), "Energy Security: The Diplomacy of South Korea in Latin America".

\* Finished in 2006 and the company left the country

\*\* SK sold its equities to other oil companies

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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The South Korean government has been involved in a supporting role for the Korean energy companies involved in developing and marketing energy in foreign countries. Though, these South Korean companies are operating in the energy field with low stakes on a total average and cannot be compared with that of China, the government of South Korea is looking forward to expand its activities in LAC in order to have a strong hold in the region in future (Barbiera, 2011: 20)). There is a resemblance in both India and South Korea's approach toward the LAC countries. Though both countries give preference to their Asian partners and African region their involvement in LAC has been on the rise and there is a positive correlation between the rise in their involvement with the region through political, trade and economic interactions and import of energy and other resources from the region.

### **Development Assistance as Foreign Policy Tool**

Over the years since the end of World War-2 the development cooperation regime has undergone significant change. The growth of new emerging economies has resulted in them joining the developed countries to manifest themselves on the global scene. All the donor countries have different models with different objectives in the process of development cooperation (Marx 2013: 107). Both India and Korea have been engaged in assistance programmes with many developing countries. Both countries were once aid recipient countries, but their economic rise has helped them to implement assistance policy effectively in many developing countries. India's is not a member country of the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD), through which the developed countries have traditionally been coordinating donors and international aid regime. But, South Korea is a member of OECD's DAC since 2010<sup>31</sup>. However, South Korea's history as a donor goes back to the 1960s when it hosted training programmes for public officials of developing countries<sup>32</sup>. South Korea consolidated its significant ODA assistance by launching the Economic Development Cooperation Fund (EDCF) in 1987 and establishing the Korea

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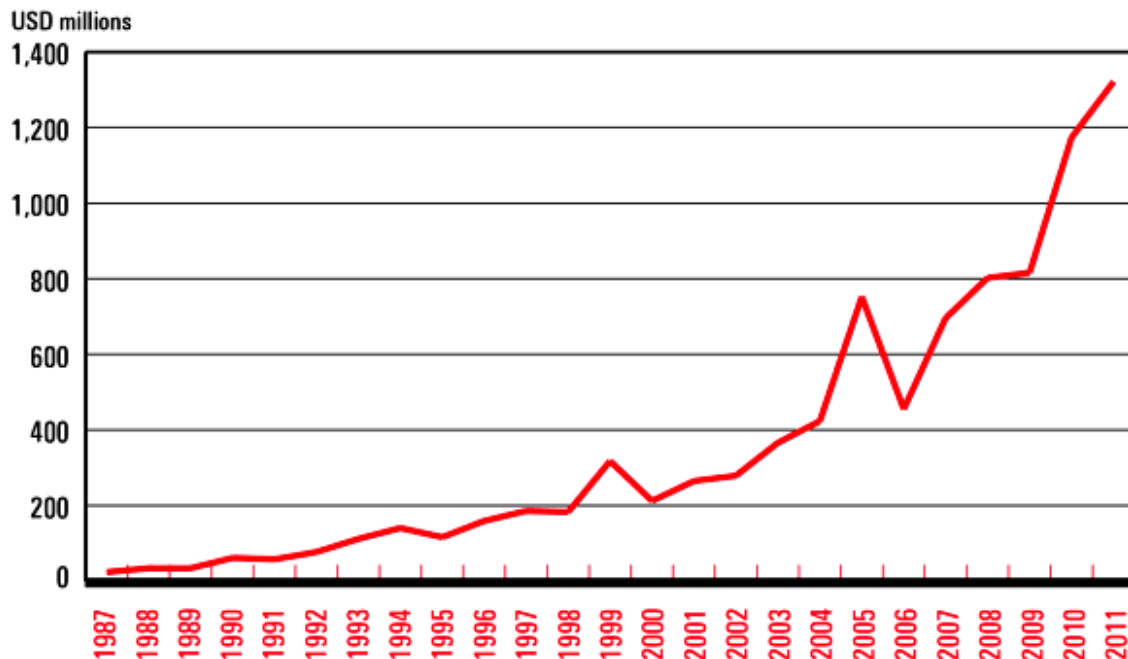
<sup>31</sup> In 2010, South Korea became the 24<sup>th</sup> member of the international donor's club: Development Assistance Committee (DAC)

<sup>32</sup> South Korea ended its dependence on the World Bank's assistance in 1995 and was excluded from the DAC list of ODA recipients in 2000.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

International Cooperation Agency (KOICA) in 1991. Figure given below shows the net disbursement to developing countries from 1987-2011. Though there have been modest disbursements in the 1990s, since the late 2000s there has been rapid growth in disbursement.

**Figure 5.5 - South Korea's ODA - Net Disbursement (US\$ millions)**



Source: OECD data as produced in Marx (2013), "South Korea's Transition from Recipient to DAC Donor: Assessing Korea's Development Cooperation Policy".

Between 1990 and 2009, 63.6% of South Korea's ODA was allocated to its Asian partner countries, while with 13% of aid African region stood second largest regional recipient. Latin America was the third largest recipient with 7.8% followed by Europe with 3.9% and Oceania at 0.8% (KOICA, 2011). When it needs to establish stronger trade and investment relations the target countries receive more aid from South Korea. The South Korean government, for example, delivered a only \$630,000 to Iraq from 1990-2002, however after the war started in 2003 Iraq in the following year topped the figure to be the largest recipient of South Korea's assistance. Vietnam and Indonesia were second and third largest recipients. Another case in point is South Korea's aid to Eastern Europe/CIS countries: KOICA's 5% of total project budget \$130 million was delivered as development assistance to this region between 1991 and 2010.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

**Table 5.5 - South Korea's Total Assistance to the Eastern European/CIS Region (US\$10,000)**

Year	Total	1991	1992	1993	1994	1995	1996
Amount	13,092	74,66	110,46	136,6	234,87	358,25	489,24
Percentage	5%	3%	4%	5%	6%	7%	9%
Year	1997	1998	1999	2000	2001	2002	2003
Amount	451,57	299,18	302,35	396,63	585,89	482,16	504,3
Percentage	8%	8%	8%	8%	11%	8%	4%
Year	2004	2005	2006	2007	2008	2009	2010
Amount	643,84	932,49	697,14	752,31	1,624	1,894	2,149
Percentage	4%	4%	4%	3%	6%	7%	5%

Source: KOICA (2011), *20 Years of KOICA 1991-2010*.

However, since 2000 much of KOICA's aid has been diverted to projects in Iraq and Africa due to the conflict in West Asia and growing economic relations with the African region (KOICA, 2011). This resulted in KOICA's reduction in aid to the Eastern Europe and CIS region as shown in the table. What this pattern shows is that South Korea's distributes its aid according to its trade and investment and national interest calculations. This claim is supported by the fact that South Korea has been criticized, notably in the OECD DAC Peer Review, for its a) lack of transparency in its choice of priority aid recipient country and b) for tying aid to trade (Evans, 2013: 74).

India, between 1951 and 1992, received US\$55 billion in foreign aid, becoming the world's largest recipient. In the mid-1980s, India the world's largest recipient of multilateral aid and one of the top recipients of bilateral aid<sup>33</sup>. However, after its economic rise since 1991 foreign aid has become less central to India's economic development and over the period India has become a net donor (Bijoy, 2010: 65). India's accumulated aid over the last three decades is over \$2.5 billion. India has been involved in foreign aid and assistance programmes through the Ministry of External Affairs (MEA), the Department of Economic Affairs (DEA) constituted by the Ministry of Finance (MOF) and the EXIM Bank<sup>34</sup>. These aids are distributed through three different

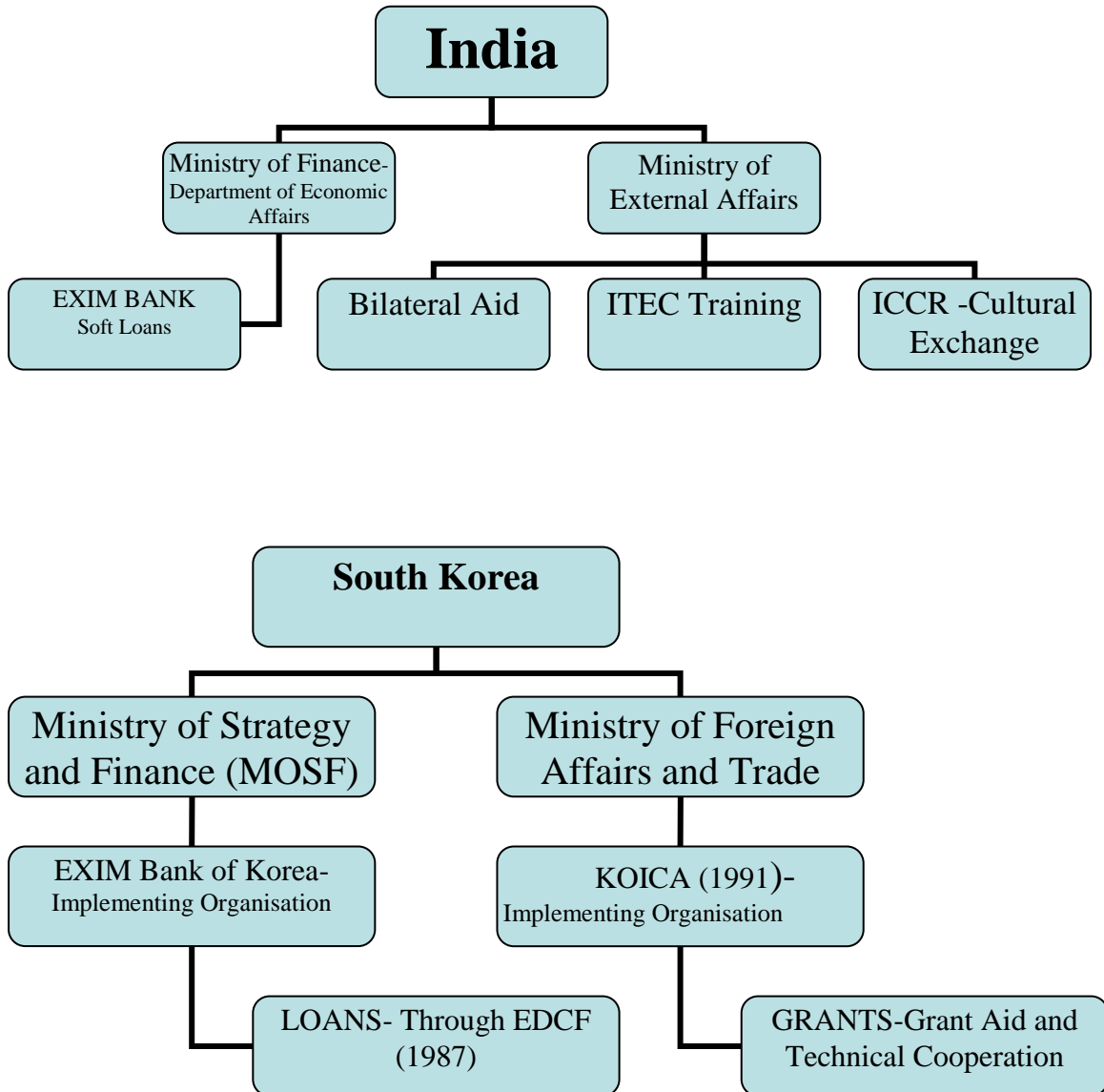
<sup>33</sup> See, [www.norrag.org](http://www.norrag.org) and Bijoy 2010: 65.

<sup>34</sup> Of the total assistance aid extended to other developing countries MEA accounts for over 85% of aid. Read, "India: An Emerging Donor?" at [www.norrag.org](http://www.norrag.org)

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

strands that cover the neighbouring countries, ITEC's technical assistance extended to 156 countries in Asia, East Europe, Central Asia, Africa and Latin America and extending Lines of Credit (LOCs) to developing countries through EXIM Bank (*Ibid*).

**Figure 5.6 - Organisational Chart of India and South Korea's Development Assistance till 2012**



India, in 2003-04, formulated the Indian Development Initiative (IDI), which is now known as Indian Development and Economic Assistance Schemes (IDEAS) with an

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

objective to share its development experience through i) capacity building and skill transfer, ii) trade and iii) infrastructure development by extending concessional LOCs through EXIM Bank to developing partner countries. The MEA had set up the Development Partnership Administration (DPA) division to deal with development assistance programmes abroad. MEA is extending LOCs to partner countries for large-scale and complex projects<sup>35</sup>. The Department of Economic Affairs has also been extending LOCs to friendly developing countries<sup>36</sup>.

**Table 5.6 - India's Region-wise Lines of Credit till 2013**

Country/Region	No. of LOCs	Amount (US\$ Million)
Africa	129	6,186.42
Eurasia	2	155.60
LAC	16	151.65
West Asia and Central Asia	6	376.80
Myanmar	9	601.39
South Asia	9	2,256.16
South East Asia and Pacific	11	360.93
<b>Total</b>	<b>182</b>	<b>10,088.95</b>

Source: EXIM Bank of India, as produced in Sridharan (2014)

India's bilateral aid excluding EXIM bank's LOCs from 1991 to 2001 totaled \$1548 million, in the next decade from 2002-2012 India's bilateral aid showed three-fold increase of \$ 5926<sup>37</sup>. India balances very well its share of development aid and trade relations with different countries of different regions. If we observe from the above figure, for example, though South Asia receives higher amount aid and LOCs as compared to LAC region, there have been increased export and investment projects in LAC region which makes the region mutually dependent on India This helps to grow

<sup>35</sup> See, "Government of India supported Lines of Credit" at <http://www.eximbankindia.in/lines-of-credit>

<sup>36</sup> These LOCs were essentially 'Government to Government' credit lines as the credit agreements were signed between GOI and the Government of the recipient country.

<sup>37</sup> Figures extracted from the Ministry of Finance, Expenditure Budget, 1997-2013, cited in Sridharan (2013: 20 & 21)

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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India's influence in the region in the long run and pays-off when economic concerns are played out like energy and resources import.

### **India's Energy Security and Policy of Cooperation**

The liberalisation of its economy in 1991 also meant that India would have to cooperate with countries with which earlier it had either never had minimal relation or not-so-friendly relation. India's new foreign policy outlook for political, economic and security gains encouraged it to venture into new partnerships with developed and developing countries, countries in its neighbourhood and extended neighbourhood, countries that had minimal engagement in the past due to distance and with countries in all four directions. One of the foreign policy goals of ensuring energy security has been a factor in India's direct or otherwise cooperation and competition with countries. The give-and-take, quid-pro-quo formula has increased the interdependence which is paving way for closer economic, political and security cooperation between India and other countries. Achieving sustainable energy security is a herculean task for India given the growing competition for energy and growth of institutional set-ups such as multilateral energy cooperation mechanisms.

Recognizing this India has been putting an all-out effort to ensure energy security by securing energy resources through self-help way of buying overseas energy blocks by competing with other countries, by pursuing energy diplomacy at bilateral, regional and international level. Between 1990 and 2003, Asia accounted for nearly 75 percent of the world's total increased demand for oil consumption which increased from approximately 8 million barrels per day (mbd) to just below 15 mbd<sup>38</sup>. This region accounts for 75 percent of the world's liquid natural gas (LNG) trade. Much of the supply of crude oil and LNG will originate from the Persian Gulf and Russia's share will also be crucial in next three decades<sup>39</sup>. As Herberg observes 'energy nationalism' is now becoming

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<sup>38</sup> Herberg, M. E. (2005), *Asia's Energy Insecurity*, Presentation at National Bureau of Asian Research, APERC Energy Research Conference, Tokyo, Japan. cited in Tow (2007: 162)

<sup>39</sup> Ibid.



## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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predominant in Asia: that is, direct competition between states to control regional energy supplies that leads to a closer integration between energy and strategic relations<sup>40</sup>.

He also contends that 'energy nationalism' is best checked by the identification and application of effective crisis management instruments such as Strategic Petroleum Reserves (SPR) or energy consortia arrangements that promote inter-state energy cooperation<sup>41</sup>. India is not part of any energy consortium that is based in its own soil or in the neighbourhood. In 2003, India created the Indian Strategic Petroleum Reserves Ltd (ISPRL) for the control of the strategic crude oil inventories and to coordinate the release and replenishment of strategic crude oil stock during supply disruptions. Natural gas pipeline projects such as Iran-Pakistan-India (IPI), Turkmenistan-Afghanistan-Pakistan-India (TAPI) were proposed as consortia with regional and extra-regional actors like China, Russia, and Australia being part of these projects. While there are numerous pipelines from Russia, Central Asia and North Sea to Western Europe, pipelines to East Asia and South Asia have not yet been realised. Estimations show India's LNG import is going to increase rapidly over the next few years if more domestic reserves are not discovered.

India over the two decades has increased its focus on its neighbourhood and extended neighbourhood. Neighbor Bangladesh and the "near abroad" Myanmar have become part of India's energy calculus for their potential future energy supply and energy grid cooperation. India's Bangladesh and Myanmar's abundance in natural gas reserve gives India another reason to cooperate with these countries. Bangladesh and Myanmar like other neighbours are as important mainly for its own internal security and the stability of the region. The economic angle also gives more reasons for closer cooperation with these countries. Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) gives a better platform for India's cooperation with these

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<sup>40</sup> Herberg, M.E., (2004), "Asia's Energy Insecurity: Cooperation or Conflict?" in A.J. Tellis & M. Wills (eds.) *Confronting Terrorism In the Pursuit of Power*, Seattle : National Bureau of Asian Research, quoted in Tow, T. William (2007: 163), "Strategic Dimensions of Energy Competition in Asia" in Michael Wesley (ed.), *Energy Security in Asia*, New York: Routledge.

<sup>41</sup> *Ibid.*, p. 167.

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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countries. However, energy has become an important element of cooperation among these countries. India since the military coup of Myanmar in 1962 had ignored Myanmar for the military rule which went against India's Nehruvian idealist tradition that encouraged relation with democracies (Lall, 2008: 6). The slight improvement in the relation due to exchange of official visits from both countries suffered a setback in 1988 when India supported pro-democracy uprising and offered sanctuary to Burmese dissidents (Lall, 2008: 6). Myanmar appeared in India's foreign policy priority circle in the late 1990s with India's increased need for energy, using Myanmar as a gateway to ASEAN as 'Look East Policy' started gaining momentum towards the dawn of the twenty-first century, and the need for cooperation to counter cross-border terrorism and growing encirclement of China and the need to check that<sup>42</sup>. Its location at the tri-junction of East Asia, Southeast Asia, and South Asia make Myanmar an economic and strategic pivot for India (Hong, 2015: 119).

While India's overall foreign policy feels to improve its strategic relations with Myanmar in order to counter China's attempt to form a "strategic encirclement" against India, using Myanmar as one of the points to contain India which would make absence of a buffer state in the eastern neighbourhood of India (Hong, 2012). India's trade with Myanmar reached almost \$2 billion in 2012 from \$400 million a decade earlier and India was the 10<sup>th</sup> in terms of foreign investments to Myanmar as on 2012<sup>43</sup>. It is not an option for India to cooperate with Myanmar in energy and economic front to make Myanmar maintain its status quo of a neutral state and to get market access to Southeast Asia. The competitive nature of China-India relations for energy resources makes India's concern notched up. As India's interest in investing in energy resources increased, its policy of cooperating with Myanmar's military junta showed India's shift from its earlier policy that emphasized human rights and democracy. India proposed a Myanmar-Bangladesh-India pipeline as shown in the map below.

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<sup>42</sup> A conservative estimate by British Petroleum puts Myanmar's gas reserves to 11.8 trillion cubic feet while the Myanmar's energy minister estimation is 22.5 trillion cubic feet (Chandra, 2012).

<sup>43</sup> Of total investment of India around 98 percent in Myanmar is in the oil and gas sector while the rest 2 percent is in manufacturing sector. EXIM Bank (2013: 85)

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

Map 5.2 - Proposed Myanmar-Bangladesh-India Pipeline\*



Source: <http://beautifulburmaus.blogspot.in/2015/05/india-to-burma.html> . \*Red line denotes the proposed pipeline.

India's failed negotiations with Myanmar for many projects went in advantage for China which signed a natural gas supply deal with China sourced from a field invested in by GAIL and OVL<sup>44</sup>. The failed negotiations did not stop India from engaging Myanmar more rigorously. India bounced back in the energy front giving approval to request by ONGC and GAIL to invest US\$1.35 billion on Myanmar, by increasing their states in Blocks A1 and A3 to 20 percent and 10 percent respectively (Hong, 2012: 131).

India has been making efforts to keep the relation with Myanmar active and warmer. Through determined efforts India aims to engage Myanmar through sub-regional organizations such as BIMSTEC and Mekong-Ganga Cooperation for closer interactions. Through proposals for projects such as a railway from New Delhi to Hanoi, cutting through Myanmar, Thailand, Laos, and Cambodia, agreement for construction of 80 kilometer road at a cost of \$60 million, linking Rhi in India's Mizoram with Tiddim in

<sup>44</sup> OVL and GAIL along with its international partners are selling gas from A1 and A3 blocks of Myanmar to China at \$9/million metric British thermal unit (mmBtu) while in comparison, India pays \$12-15/mmBtu for spot LNG cargoes. Read, Nambiar, Pranav (2013), "China corners cheap OVL, GAIL gas from Myanmar, India cut out of deal", *Financial Express*, at <http://archive.financialexpress.com/news/china-corners-cheap-ovl-gail-gas-from-myanmar-india-cut-out-of-deal/1159966>

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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Myanmar's Chin province, upgradation and resurfacing of 160 kilometer long Tamo-Kalewa-Kalemyo road, establishment of Heavy TurboTruck Assembly Plant worth \$20 million by Tata Motors in Myanmar under Government of India's Line of Credit (LOC) for supply of commercial vehicles. Over the years India, through EXIM bank, has extended 9 LOCs worth \$601 million to Myanmar which is nearly double the amount extended to Southeast Asia and Pacific region (other than Myanmar) worth \$361 million (Sridharan, 2014: 16). In fact, energy cooperation started with an LOC for revamping the Thanlyin refinery and OVL and GAIL contracts with South Korea's Daewoo to participate in natural gas exploration off the Rakhine coast (Sridharan, 2014: 53).

When the Myanmar President Thein Sein visited India in October 2011, an LOC of \$500 million was extended to Myanmar. India's policy towards Myanmar has been in the last two decades has turned pragmatic for a 'constructive engagement'. There have been defence cooperation measures between India and Myanmar after 1992. India has reportedly supplied weaponry and equipment including 105 mm guns, T-55 tanks, transport planes, artillery ammunition and naval craft (Sen, 2013). Indian navy has made regular port calls to Myanmar ports and 2006 it announced transfer of two BN-02 'Defender' Islander maritime surveillance aircraft and deck-based air-defence guns to the Myanmar Navy<sup>45</sup>. Myanmar navy has regularly participated in the Milan meetings held at Port Blair in the Andaman & Nicobar Islands in the Bay of Bengal. Myanmar became a part of India's initiative of Indian Ocean Naval Symposium for closer engagement and cooperation among littoral states of the Indian Ocean Region (IOR).

India had evolved matured and pragmatic foreign policy goals that best serve its political, economic, and security interests of national importance. This is reflected in its approach toward neighbours like Pakistan, Bangladesh and regional rival China. Though, India and Pakistan's relations are hampered by Kashmir issue and issues of Pakistan sponsored cross-border terrorism and its relations with Bangladesh depend on who the ruling party is, the considerations energy security pave the way towards regional

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<sup>45</sup> ICWA, Issue Brief, "India and Myanmar: Choices for Military Cooperation", at <http://www.icwa.in/pdfs/ibindiamyanmar.pdf>

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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cooperation. There is no free run for such cooperation as there remain major political obstacles, however, there are measures taken by India for cooperation in the energy sector which would benefit all of them. Mohan (2008: 136) observes that India, after decades of emphasizing bilateralism, started to believe that regionalism holds the key to its own prospects for a larger role at a global level and improved its relations with Pakistan which in a way boosted the South Asian Association for Regional Cooperation (SAARC) and now committed to regional free trade as well as energy grid in the Indian Subcontinent. This new found vigour for promoting regionalism has a strongest desire in the area of energy security.

Besides, the traditional value of access to the hydroelectric resources of Nepal and Bhutan, India has started to realize and recognize the importance of cooperation with Pakistan and Bangladesh to ensure the flow of hydrocarbons from the west and the east (Mohan, 2008: 137). In early 2005, India decided to seek negotiations with its neighbours in pursuit of three pipeline projects – the TAPI, IPI and Myanmar-Bangladesh-India<sup>46</sup>. India's strategic thinking envisages a greater participation in the TAPI pipeline project as this could evolve in to a regional hub, with pipelines from neighbouring countries of Turkmenistan such as Uzbekistan, Kazakhstan, Azerbaijan and Russia can possibly link up with the TAPI pipeline to meet the increasing demands of South Asia (Ahmad, 2008: 74). India, as a measure to set up a platform for dialogue between the principal Asian oil and gas producers and consumers, convened a Round Table of Asian Oil Ministers in New Delhi, in January 2005. This energy diplomacy is another significant step by India for cooperation among the regional players for mutual benefit in ensuring energy security (Ahmad, 2008: 74).

India's foreign policy efforts to move closer with Central Asian countries also serve its main and traditional foreign policy objective i.e. the foreign policy objective of

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<sup>46</sup> Though India agreed to pay Iran \$4.93 per mmBtu, in 2009 it withdrew from the project over pricing and security issues. This can be attributed to the mounting pressure from the U.S. not to have any financial deal with Iran as a punishment for the latter's nuclear programme. However, this project is still open as and when the political environment at the regional level and at domestic levels of India and Pakistan normalizes.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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isolating Pakistan regionally and internationally (Muller 2008). By missing out on the opportunity in pipeline projects emanating from the Central Asian region would be of Pakistan's advantage. Also, viewing India's desire for closer cooperation with Central Asian countries it appears that the spread of terrorism in Central Asia through the radical Islamic terrorist groups was a serious matter for concern for India due to its geo-political ramification. The spread of religious extremism had all the ingredients to spoil the future relations especially economic relation between India and Central Asia for such religious extremism can destabilize the resource rich Central Asia and thus affecting India's future interest to secure stronger relations with the region which is a hot bed of energy resources. (Stability in Central Asia was crucial for India for any destabilization of the region could have adverse impact on India; hence India's strategic thinking had led to considering Central Asia as an a pivot for India's over all national interest.<sup>47</sup>

Though, India entered the energy race a bit late after China, it still devices strategies to secure energy resources across the world for a energy safe future. India is not part of any international energy organization to ensure energy security and hence it has to deal with countries with energy resources bilaterally or get into multilateral cooperation in exploring and sharing the energy resources should there be any need. India and China consider each other as an aggressive competitor in quest for energy resources. Both countries do not have adequate energy resource but burgeoning economic growth. They both have multiple state oil companies and consider overseas investment in energy sector to ensure energy resources for domestic needs. Both countries have been targeting energy assets sometimes in the same host countries against each other. The areas where both countries go for upstream acquisition are high risk areas and thus this has encouraged them to getting into joint bidding risk sharing<sup>48</sup>.

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<sup>47</sup> There are more reasons for India's concern to the spread and spill-over of terrorism should not worsen its fight against terrorism in Jammu & Kashmir as this issue required support at regional and international level. Read Joshi (2007: 144), "Geopolitical Perspectives on Central Asia: An Indian View.

<sup>48</sup> Kang Wu et. al. (2008), "The Energy Race between China and India: Motivations and Potential Opportunities for Cooperation", China, India and the United States Competition for Energy Resources, *The Emirates Centre for Strategic Studies and Research, Abu Dhabi: pp. 223-251. Quoted in Bhupendra Kumar Singh, "Energy Security and India-China Cooperation". International Association for Energy Economics, p. 18.*

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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The belief that pooling their investment and technology would yield better resource output has been the driving force behind their decision to acquire energy assets through joint bidding in Syria, Sudan, Colombia, Iran and Peru. A memorandum of understanding for energy cooperation was signed by then Petroleum Minister Manishankar Aiyar and China's National Development and Reforms Commission Chairman, Ma Kai in January 2006<sup>49</sup>.

Another example of India's foreign policy that hunts for energy resources, energy partnerships for diversifying energy source and strategic partnerships and cooperation for a sustainable future energy security can be seen in its nuclear energy cooperation with the U.S. through civilian nuclear deal that was signed in 2008. This cooperation allows India to trade in nuclear energy equipment and technology in the international nuclear energy market. This would mean India could aspire to acquire "14,600 MWs nuclear capacity on line by 2020" and generate "25% of electricity from nuclear power by 2050" (Pant, 2015: 41).

Nuclear energy is an important factor in India's future energy security scenario. Coal tops the chart in the energy mix in India as the carbon-intensive coal is the primary energy source and this will remain major source of mix for a longer period though the ration of mix might be reduced due to various factors such as increasing the mix ratio of renewable and nuclear energy. India had formally conveyed to the United Nations Framework Convention on Climate Change (UNFCCC) to take efforts to reduce the carbon emissions intensity of its GDP by 20-25% by 2020 in comparison to the 2005 level<sup>50</sup>. India also envisions lowering of Green House Gas (GHG) emission by 7% of the 2020 Business-as-Usual level (Shome, 2015).

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<sup>49</sup> Varadharajan Siddharth (2006), "India, China Primed for Energy Cooperation", *The Hindu*, January 13, 2006

<sup>50</sup> Ministry of Environment and Forests, Press Note, 30 January 2010, Govt. of India, [Online: web] Accessed 14 November 2014, URL: [http://www.moef.nic.in/downloads/public-information/UNFCCC%20Submission\\_press\\_note.pdf](http://www.moef.nic.in/downloads/public-information/UNFCCC%20Submission_press_note.pdf)

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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India's future global posture as a responsible energy player and promoter of renewable and clean energy will depend on its choice energy for a cleaner and greener India. India's future energy mix calculations might be the reason for its invigorated efforts for nuclear energy tie-up with the U.S. India's cooperation with the U.S. in nuclear energy is not confined to bilateral as this would lead to multilateral dimension with their participation in Clean Energy Ministerial which promotes low-carbon energy production and consumption and participation in International Energy Agency that would ensure security inspection and handle difficulties arising out of global supply disruptions (Pant, 2015: 41). In 2006, India and the U.S. joined with Australia, China, Japan and South Korea to launch the Asia Pacific Partnership on Clean Development and Climate (Pant, 2015:42). The Indo-US nuclear deal has given way to a number of bilateral cooperation agreements between India and other countries including France (2006), Russia (2010) and the United Kingdom (2010)<sup>51</sup>.

### **South Korea's Energy Security and Policy of Cooperation**

South Korea has the history of having built its economy through cooperation rather than competition. Given the fact that South Korea is almost hundred percent dependent on oil and natural gas from overseas supply and the volatile oil market provides all the ingredients to make South Korea think and act in a way to cooperate with countries in the East Asian region and other energy hungry countries of the world. South Korea's Overseas Energy Development Plan 2010 envisages the share of oil and gas consumption to be met by Korean overseas equity production to 30 percent by 2019 (Lee, 2015) South Korea joined International Energy Agency (IEA) six years after it entered the Organisation for Economic Cooperation and Development (OECD) in 1996. This was a step ahead on the cooperation side that makes South Korea to hold a 90-day supply of strategic oil stocks as part of its IEA obligations to be able to release stocks during potential oil supply disruptions<sup>52</sup>. South Korea is a member of four of the seven key

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<sup>51</sup> Balachandran. G (2010), "The Civil Nuclear Liability Bill", IDSA Brief No. 26, p.5, at [http://www.idsa.in/system/files/ib\\_CivilNuclearLiabilityBill.pdf](http://www.idsa.in/system/files/ib_CivilNuclearLiabilityBill.pdf)

<sup>52</sup> Other obligations include i) a demand restraint program for reducing national oil consumption by up to 10%. ii) legislation and organization necessary to operate, on a national basis, the Co-ordinated Emergency Response Measures (CERM) and iii) legislation and measures in place to ensure that all oil companies



## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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international energy multilaterals (IEM). South Korea became a member of International Energy Agency in 2002. It is a part of the International Partnership for Energy Efficiency Cooperation (IPEEC) founded in 2009, in which with other regional states China, Japan and Russia are also members. South Korea is also a member of International Renewable Energy Agency (IRENA) in which China, Japan, and Mongolia are also members. The International Energy Forum (IEF) is another IEM in which South Korea is a member (Freeman, 2015). During his inauguration speech on 25 February 2003, South Korean President Roh Moo-hyun expressed his willingness for a new Northeast Asian regionalism. He stated,

... The Korean Peninsula is located at the heart of the region. It is a big bridge linking China and Japan, the continent and the ocean. Such a geopolitical characteristic often caused pain for us in the past. Today, however, this same feature is offering us an opportunity.... Initially, the dawn of the Age of Northeast Asia will come from economic field... (Wada, 2006: 44).

As the world's second largest importer of natural gas South Korea along with Russia was willing to develop a regional natural gas pipeline project that would bring deliver Russia's natural gas from East Siberia through North Korea to South Korea. The trans-Siberian and trans-Korean Peninsula pipeline would serve South Korea's foreign policy goals in two ways: 1. Importing oil and gas from Russia would be an effective alternative to its import from West Asia and Gulf Countries. 2. The energy supply through this pipeline to North Korea and the transit revenue that would be paid to North Korea would considerably solve North Korea's energy crisis and to an extent boost its economy and gradually opening its economy. South Korea's implementation of 'Sun-shine Policy' for an increased interaction and engagement with North Korea needs to be seen as an institutionalization of economic cooperation between the South and the North. South Korea increased its foreign assistance and aid to North Korea since 2000. South Korea's collaborative economic development measure of establishment of the Kaesong Industrial Park in 2002 was aimed at providing North Korea with a source of foreign currency.

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operating under its jurisdiction report information as is necessary. See, IEA website <https://www.iea.org/aboutus/faqs/membership/>).

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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Prior to that Korean Peninsula Energy Development Organization was founded in 1995 by the U.S., South Korea, and Japan to implement the 1994 U.S.-North Korea Agreed Framework that froze North Korea's nuclear facilities in lieu of financing and constructing in North Korea two light-water reactors (LWR) to solve North Korea's energy crisis. Though, the U.S., and Japan were also part of this project, it was South Korea that contributed the lion's share for the project. South Korea would have hoped for the success of this project which would have made it easier to convince the North to agree for the Russo-Korean pipeline natural gas project which began to be discussed among the concerned parties in the early 1990s (Mok, 2012: 130). South Korea has not been successful in creating an energy cooperation regime in Northeast Asia. There is no cooperative mechanism on the issue of energy among the three major countries of Northeast Asia China, Japan and South Korea. Lee (2015) contends that South Korea perceives energy security in two dimensions: energy security as an "objective" to guarantee a stable supply, and energy security as a means to achieve a higher security goal. The first dimension required long and tedious negotiations with Russia for its supply of oil and natural gas which has not been fruitful due to a spiral of competition and geopolitical tension that also prevent it to achieve the second dimension.

There have been initiatives from the South Korean side for energy cooperation in Northeast Asia. During Roh Moo-Hyun's period the Presidential Committee on Northeast Asian Cooperation (PCNAC), together with the Ministry of Commerce, Industry and Energy (MOCIE), the Ministry of Foreign Affairs and Trade (MOFAT), and the Korea Energy Economics Institute (KEEI), conducted a feasibility study of linking Russia and China for energy supply. Two projects that received their attention are the Kovykta gas project that would bring gas from Irkutsk in Russia to Korea through China and the Sakhalin-1 project of ExxonMobil which would bring gas from Russia to South Korea through North Korea. Though Russia was the last country to join the six party talks the proposed pipeline would put Russia in a situation that would establish Russia as a major player in the East Asian region and an indispensable player to broker cooperation between two Koreas. This would consequently establish Russia as a major participant in Six-Party Talks (Blank, 2015: 11).

## **Comparative Analysis of Energy Security and Foreign Policies of India and South Korea**

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However, both the projects did not materialize not due to South Korea's fault but by due to internal decision at Russia's side in the first project and indecisiveness on the supply route in the second project (Lee, 2015). South Korea in a bilateral initiative in 1999 established the Republic of Korea-Mongolia Committee for Energy and Mineral Resources Cooperation (Krusekopf, 2015: 113). In an effort for multilateral mechanism for energy cooperation, South Korea and United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) proposed for a multilateral mechanism, the Intergovernmental Collaborative Mechanism on Energy Cooperation in North-East Asia (ECNEA) which was established in 2005 targeting all six member states of NEA: Russia, Mongolia, China, Japan, South Korea, and North Korea. South Korea joined the ASEAN Center for Energy (ACE) which was established in 1990 to facilitate sub-regional energy cooperation.

South Korea has also been part in a series of cooperation initiatives at the East Asian and Asia-Pacific level such as the Asia-Pacific Economic Cooperation (APEC) initiatives for discussion on energy issues in its biannual Energy Ministers Meeting (EMMs) and semiannual Energy Working Group Meetings. Energy concerns have stimulated South Korea to cooperate with countries within and outside its region. However most of these initiatives at the regional level have not paid off in reality due to lack of effective implementation mechanisms (Lee, 2015). Achieving integration and interdependence among Northeast Asian countries in trade and finance did not seem to be reflected in the energy front. However, the growing LNG import from Japan, due to the Fukushima impact on its energy proportion, seem to have resulted in growing cooperation between Japan and South Korea in acquiring supplies and contracting. South Korea was part of the LNG producer-consumer dialogue inaugurated and sponsored by Japan in 2012 to promote greater cooperation among consumers and also between consumers and LNG suppliers. The impact could be seen in South Korea's KOGAS plans to work with other Asian LNG buyers to phase out the "Asian premium" that had plagued the Northeast Asian region in the past due to the lack of bargaining power and rigid

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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pricing practices<sup>53</sup>. One of Lee Myung-Bak's strategic agendas "comprehensive and results-oriented foreign policy" illustrated the need to strengthen energy cooperation (Han, 2009: 3), which seemed to have become a reality within Northeast Asian region as South Korea has proposed a working group of Asian importers to establish an LNG hub in Northeast Asia that can help erode the Asian premium<sup>54</sup>. Though these initiatives have not raised energy security to a sufficient level or eased the deep politicalisation of energy security competition in the region (Freeman, 2015), definitely this is one big positive step in South Korea's foreign policy in the energy front to cooperate with one of its competitors in the region, Japan.

The U.S. has in place a ban on US crude oil exports that dates to the 'The Energy Policy and Conservation Act' (EPCA) of 1975. The act effectively bans crude oil exports to other countries except Canada<sup>55</sup>. However, crude oil produced in Alaska was exempted from the ban by then President Bill Clinton in 1996. According to the U.S. Energy Information Administration 2.7% of Alaska oil production was exported to foreign countries from 1996 to 2004 out of which 46.15 million barrels of oil was exported to South Korea and the rest – 49.34 million barrels oil – was exported to Japan, China and Taiwan<sup>56</sup>. If the US lifts the ban on export of crude oil due to increased domestic oil production out of shale oil boom since 2008 in the U.S., South Korea would be one of the countries to import oil from the U.S., after all, South Korea was the foreign country to receive largest amount of Alaskan oil. Even if the U.S. does not lift the ban on crude oil export, the boom in shale oil production might reduce its import of crude oil from Canada and this in turn might favour Canada's export of oil to South Korea. In this background, India, which has been looking for alternate source for uninterrupted energy supply, has made a

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<sup>53</sup> South Korea, Japan and Taiwan have traditionally paid more for LNG cargoes due to oil-linked contracts and a lack of alternative energy sources to diversify. Read, "South Korea's KOGAS to cut LNG imports in response to weaker local demand" at <http://www.platts.com/latest-news/natural-gas/seoul/south-koreas-kogas-to-cut-lng-imports-in-response-27856421>

<sup>54</sup> Seoul has gone to the extent of proposing to Japan to use South Korean LNG storage tanks. Ibid.

<sup>55</sup> However, unlike crude oil, which is unprocessed, the export of refined products, such as gasoline, diesel, and jet fuel is allowed. Roughly three million barrels per day of refined oil products were exported in December 2012. Read, Clayton, Blake (2013), "The Case for Allowing U.S. Crude Oil Exports", at <http://www.cfr.org/oil/case-allowing-us-crude-oil-exports/p31005>

<sup>56</sup> Later in 2004, the export of oil from Alaska dried up and no Alaskan oil had been exported till 2014. Read, Muskal (2014) and Rapier (2014).

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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“strategic shift” in LNG sourcing with a “look U.S. policy” for contracting new import volumes. The Petroleum Ministry observed that the LNG imports from the Gulf were costlier than from the U.S. (Mehdudia, 2012). India’s state-run GAIL entered into an agreement for supply of 3.5 million tonnes per annum liquefied natural gas with Sabine Pass Liquefaction, LLC, a subsidiary of Cheniere Energy Partners, L.P., U.S. (Mehdudia, 2012).

An overall energy calculation serves well for India’s policy to move closer to the U.S. The civilian nuclear deal might be cited as the main reason to India’s rationale for augmenting its relations with the U.S., however there might be other energy routes in India’s calculation that could be the reason for India’s willingness to strengthen its ties with the U.S. As we discussed earlier the U.S. was staunch opposed to India’s closer energy ties with Iran which resulted in India’s reduction in import of energy from Iran in a way to isolate Iran for its clandestine nuclear programme. For the same reason U.S. opposed the IPI pipeline project which would supply gas from Iran to India via Pakistan which, if becomes a reality, would directly boost Iran’s economy through its energy supply to Pakistan and India.

### South Korea’s Policy on Nuclear Energy Cooperative

High prices of oil other fossil fuels had placed a heavy burden on the South Korean economy over the past decade whereas the generation cost of nuclear energy is lower than other energy sources because it is relatively unaffected by oil prices of the international market (*Ibid.*, p. 50).

**Table 5.7 - Generation Cost by Source (2012)**

	Nuclear	Coal	LNG
won/kWh	39.5	66.25	168.1

Source: Ministry of Trade, Industry & Energy (2014), p. 50.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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South Korea did not revise its nuclear energy policy after the Fukushima nuclear disaster in 2011 and vigorously following nuclear energy policies to be poised in a better energy security position. South Korea over the years place high value and importance to nuclear energy which has made the South Korean government to be on loggerheads over its nuclear agreements with the US.

### Civil Nuclear Deals as a Strategic Tool

As discussed in previous chapters, South Korea's economy played a vital role in its engagement with the West Asian region which later in turn influenced South Korea's political and defense policy toward the region. The 'developmental state' model of South Korea assisted its *Chaebols* to conduct their business in their respective sectors.

**Table 5.8 - South Korea's Total Trade with West Asian Countries: 1990-2010 (US\$ Millions)**

State	1990-1999	2000-2010
United Arab Emirates (UAE)	28,303	139,697
Iran	18,113	74,369
Iraq	497	21,252
Kuwait	11,654	74,339
Libya	2,177	6,160
Oman	11,301	41,279
Qatar	4,438	76,823
Saudi Arabia	56,020	214,154

Source: Korean Statistical Information Service, <http://kosis.kr/eng/> cited in Levkowitz (2012), p. 231.

The increased economic activity of South Korea through its *Chaebols* in the region and its energy needs from the West Asia especially from the Persian Gulf boosted the trade relations between West Asia and South Korea. Energy security, over the decades of economic development, has pushed the East Asian nation to pursue a concomitant economic and energy diplomacy in the West Asian region to remain competitive in

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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securing energy resources vis-à-vis the rising energy players such as China and India in the region. South Korea's signing of the \$20 billion contract with the United Arab Emirates to build four APR-1400 nuclear reactors in Barakah<sup>57</sup> was the biggest energy deal West Asia that was awarded to a South Korean consortium led by Korea Electric Power Corp. (KEPCO) a South Korean government-owned electric utility and it was also the first ever international contract in the area of nuclear energy business for South Korea. This also meant UAE to be a bridgehead for South Korea for its inroads into the region.

The South Korean president Lee Myung Bak himself took special interest in this project as there was some tough negotiation going on to clinch the project<sup>58</sup>. In other words the South Korean government used political persuasion to clinch the nuclear deal with the UAE. In March 2010, a South Korean consortium lead by the Korea Atomic Energy Research Institute and Daewoo Engineering and Construction Company signed a \$130 million deal with Jordan ((Ho Bae, Jung, 2012: 13) to build a five-megawatt nuclear research reactor. Incidentally, this would be Jordan's first nuclear research reactor and most of this project would be financed by South Korea<sup>59</sup>. To further its boost its presence and influence in the region South Korea has also diversified its exports to West Asia by offering to sell military equipments such as the unmanned aerial vehicles (UAV) and the South Korean T-50 Golden Eagle training jets to UAE, Iraq and even Israel<sup>60</sup>. In the UAE deal, the South Korean consortium is headed by government-owned Korea Electric Power Corporation (KEPCO) and includes other major Korean industrial companies that are involved in Korea's rapidly growing domestic nuclear power plant construction

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<sup>57</sup> Kane Chen (2013), "Reactor Race: South Korea's Nuclear Export Success And Challenges", Academic Paper Series, *Korea Economic Institute of America*.

<sup>58</sup> President Lee, Myung-bak himself supervised the project and even travelled to Abu Dhabi to attend the signing ceremony of the nuclear deal. He called this deal as "heaven-sent national fortune" Aazd, Shirzad (2011), "South Korea's Quest for Energy Security in the Persian Gulf", [Online: web] Accessed 29 August 2013, URL: [http://www.siu.edu/EASTASIA/KR\\_QS\\_EN\\_SC\\_PG1.htm](http://www.siu.edu/EASTASIA/KR_QS_EN_SC_PG1.htm)

<sup>59</sup> South Korea agreed to finance in part by a \$70 million soft loan which includes a feasibility study on environmental impact and to establish a nuclear training and technology center at Jordan University of Science and Technology where the South Korean experts would train the Jordanian nuclear engineers and technicians. See, Kane Chen (2011), p. 2 and Azad Shirzad (2011)

<sup>60</sup> Sung-ki Jung, "South Korea to Transfer UAV, Missile Technologies to UAE", *Korea Times*, January 7, 2010. Quoted in Levkowitz (2012): p. 232.

## Comparative Analysis of Energy Security and Foreign Policies of India and South Korea

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program. Although Korean companies now take the lead on design and construction of Korea's nuclear power plants, Westinghouse still provides support under the design license. Any of those components requiring Nuclear Regulatory Commission (NRC) specific licenses could not be exported without a 123 agreement. While South Korea is seeking access to a broader spectrum of technology, the U.S. want to maintain a tight control of its nuclear component technology.

South Korea has also been demanding the U.S. for an agreement similar to that of U.S.-Japan nuclear deal which would allow South Korea to start its pyroprocessing of the spent nuclear fuel for greater energy extraction and to reduce the overall quantity and heat load of waste requiring permanent storage. As the U.S. disagrees for the pyroprocessing in the pretext of South Korea might motivated to use the technology to for its own nuclear weapons programme (Pomper, 2013). While the South Korea government went loggerhead with the U.S. for the recognition and respect of its long-standing friendship with the U.S., the nuclear energy and the future of energy security has strengthened India's relationship with the U.S. thus consequentially effecting a major change in its foreign policy. As analysed in this chapter, both India and South Korea have been taking all efforts to cooperate with countries within their region, beyond their region and with major powers like the U.S. and Russia. In an overall energy scenario, Tow (2007: 166) observes, although, South Korea along with its regional rival Japan has been involved in energy market liberalization for some time, India, has begun to shifting its own energy infrastructure from government to private sectors. This shows that the more resource-dependent India is becoming the more inclined to be reluctant about market-based solutions. As per the concept of self-help in international politics as structural realist Kenneth Walts says "to achieve their objectives and maintain their survival, units in a condition of anarchy-be they people, corporations, states, or whatever-have to rely on the means they can generate and the arrangements they can make for themselves. Self-help is necessarily the principle of action in an anarchic world."<sup>61</sup>

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<sup>61</sup> Walts, Kenneth (1979), *Theory of International Politics*, quoted in Su-Yuan, Sun (2014), "Dilemmas and Obstacles: Multilateral Energy Cooperation Among BRICS Countries", *Fudan Journal of the Humanities and Social Sciences*, 7(3): pp. 395-410.)



## CONCLUSION

## Chapter

## 6

The end of Cold-War indicated the beginning of new world order and countries all over the world needed to re-align their foreign policies to suit their national interests and changing circumstances of international politics. Finding new partners and reassessing their old friendship of the bi-polar world era became a prerequisite for new found vigour in economic growth conditioned by globalisation. Changing their external stance from time to time as it suited their national interest seems to be a hallmark of the new world order. The economic consideration became the top priority in many countries' foreign policy orientation indicating the departure from traditional foreign policy formulation hierarchy of criteria. Economic development is dependent of many factors of which energy supply is one the main components that help to maintain the sustainable economic development of a country. Ensuring energy security has emerged one the primary goals of foreign policy formulation in developed and emerging economies. Energy security concerns have become one of the top priorities in India and South Korea's foreign policy formulation over the past two decades.

If sustainable economic growth was also conditioned by forging new partnership for importing uninterrupted energy supply, India and South Korea were ready for it and geared up for new engagement strategies with energy resource rich countries. In both countries energy security concerns emerged as an important foreign policy factor over the last two decades. The post-Cold War era was characterized by new global partnerships and cooperation and increased interdependence among countries. However, ensuring energy supply by acquiring energy resources also marked competition among countries which required the energy import countries to device strategies for energy security and thus changing the very nature conducting their foreign policies. The new economic policy of India since 1991 had the compulsion to visualize the future state of economic growth in India and the prerequisites that needed to ensured for the smooth economic growth.

One of the major changes that the Ministry of Energy witnessed due to the changing nature of the energy issues was dividing the ministry into five separate ministries in 1992. The Ministry of Energy was divided into three separate ministries namely Ministry of Power (MOP), the Ministry of Coal (MOC), the Ministry of New and Renewable Energy (MNRE), the Ministry of Petroleum and Natural Gas (MOPNG) and the Department of Atomic Energy (DAE) which comes under the direct charge of Prime Minister. The rationale for the division was to allow the individual ministries to dedicate themselves to act on their own dominant fuel interest and thus ensuring energy security effectively. If we compare India and South Korea's economic growth, for most of the part South Korea has been pursuing economic growth through its industrial sectors that are mostly export oriented and for India the export oriented industrial sectors are still growing (India is the 18<sup>th</sup> largest export economy in the world while South Korea is the fifth largest export economy). However, India's industries have been growing rapidly for domestic as well as export requirements. The knowledge and service sector too are on the rise in both countries. For both the countries these industrial sectors are energy intensive in nature. Fossil fuels still remain the essential source of energy to maintain the growth of the energy intensive sectors (Barbieri 2011: 8).

The action agenda created over the years in a way to spell out India's energy concern required a focused approach for building strong relations with countries with high attractiveness in terms of energy such as Russia, Iraq, Iran and African countries. OVL contributes to 14% and 8% of oil and natural gas production of India respectively. OVL which had only one asset in 2000, now has Participating Interests in 33 oil and gas assets in 16 countries. It has 13 producing assets in ten countries, namely Russia (Sakhalin-I and Imperial Energy), Syria (Al-FURAT Petroleum Co.), Vietnam (Block 06.1), Colombia (MECL), Sudan (GNPOC), South Sudan (Greater Pioneer Operating Company (GPOC) and SUDD Petroleum Operating Company (SPOC)), Venezuela (San Cristobal), Brazil (BC-10), Myanmar (Block A1 & A3) and Azerbaijan (ACG). 4 assets where hydrocarbons have been discovered are at various stages of development, 14 assets are under various states of exploration phase and 2 pipelines projects are under operation for transportation of oil and gas. Korea National Oil Corporation (KNOC) has invested in

29 producing blocks, 7 fields and under development, and 14 fields under exploration in 14 countries. Korea Gas Corporation (KOGAS) is participating in overseas E&P projects in 17 blocks in over 11 countries, including 3 percent equity share in Qatar's RasGas project, 8.9 percent in Yemen's YLNG project, and 1.2 percent in Oman's Oman LNG project.

Traditionally India has been heavily dependent on the resource rich West Asian region. Though the first three decades after independence marked a "political approach" toward West Asia, primarily due to the need to counter Pakistan's influence, India's foreign policy approach gradually shifted towards ensuring energy supply and ensuring increased economic activities by making use of the economic boom the West Asian countries were experiencing. In South Korea's case, it was concentrating on rebuilding its war rampaged economy during the first decade after the Korean War. During the 1960s South Korea's relation with the region was largely marked by its relation with Israel. South Korea's found it difficult in maintaining normal relations with the region for its economic and energy benefits in the region due to the crises between Arab and Israel. Though, the relation between Israel and the Arab world was returning to normalcy the Gulf War posed another challenge as to maintain affordable and uninterrupted energy supply from the region. So, was the case with India and both countries were to search for alternative markets and energy sources. South Korea's liberalization of its economy in the 80s and India's new economic policy in 1991 had so much in common to venture out to diversify their energy sources.

Although India, over the years, had gone beyond its boundaries to seek new partnerships, to revive old relations for political, economic and security reasons and still there being lots of potential in strengthening its future relations with the regions such as Africa, Central Asia, West Asia, East Asia, and Latin America for energy, economic and consequential political reasons the importance it gives to its own region i.e. South Asia should not be underestimated. India while wanting to strengthen its relations beyond its borders, its neighborhood remains a top foreign policy priority in political terms. Nuclear-armed Pakistan, volatile Afghanistan, extra-regional or rather supra-regional

competitor China, non-reliable neighbors, in terms of its equations with China, Nepal, Sri Lanka, Bangladesh and Myanmar pose more foreign policy questions than its relations with other countries. As far as their neighbourhoods is concerned, India and South Korea took many foreign policy initiatives to normalize their relation and cooperate with their neighbouring countries in the decades of 1990s and 2000s. Though, India's rivalry with its neighbour Pakistan has been alive till date, there were many efforts to cooperate in peace talks and economic exchange activities. The economic progress encouraged India to expand the opportunity to South Asian region which resulted in increased economic interaction among the countries. Prime Minister Atal Behari Vajpayee's visit to Pakistan in 1999 gave a new ray of hope in India-Pakistan bilateral relation. The Iran-Pakistan-India (IPI) and Turkmenistan-Afghanistan-Pakistan-India (TAPI) natural gas pipeline projects were pushing factors for India to negotiate with Pakistan.

Likewise, India's newfound vigour in its approach with Myanmar was stimulated by factors such as China's closer cooperation with India's neighbouring countries and its 'encirclement strategies' and India's eyeing on energy resources of Myanmar. India's willingness for the Myanmar-Bangladesh-India pipeline was the rationale behind India's closer political, economic and military ties with Myanmar. Similar developments could be seen in South Korea's case as well. South Korea's relation with the North saw a sea of change in the late 1990s. Prior to that South Korea's participation in Korean Peninsula Energy development Organisation (KEDO) to contribute to North Korea's energy crisis by helping the latter to build light water reactors (LWR) was seen as a major foreign policy change in South Korea's part. However, the proposal in the early 1990s to connect South Korea from Russia through North Korea with a natural gas pipeline could be the motive for South Korea's energy offer and economic aid to North Korea which otherwise would make the North give up its nuclear arsenal for the exchange of LWRs and ease up the tension in the region. So, the pipeline was seen as a tool to both serve its energy crisis as well as the regional crisis and contribute to the stability of the region.

It also appears that India and South Korea intend to widen their sphere of influence on those countries that have directly or otherwise been in cooperative relation

with their rivals i.e. Pakistan and North Korea by investing in those countries and taking those countries in to confidence through trade, economic and investment activities so that these countries do not turn a blind eye when situations arise that their arch rivals try to extract benefits from the neutral countries. For example, South Korea and India's efforts to economically engage countries like Myanmar and Iran might be one way of indirectly persuade them not to take any hostile steps against them when Myanmar is nudged to oblige to China and North Korea for their economic and security needs.

For India, its energy policies, as to ensure overseas energy supply, complemented its other foreign policy goals such as countering Pakistan's influence in the West Asian and Central Asian region. The spread of terrorism and religious extremism in the Central Asian region had all the ingredients to destabilize India's economic interest in the region. The dangerous scenario of the spread and spill-over of terrorism in Kashmir cautioned India to engage with the region with the most feasible way: energy engagement. Energy engagement allowed it to expand its sphere of influence in to other areas of cooperation i.e. economic and security. In other words, while India's relations with energy resource-rich countries at the outset seem to be a policy to cater to its growing economic needs which itself is one of the primary foreign policy goals. While India's 'Look North' policy primarily serves its interest of gaining access to oil, gas and other natural resources, the very presence and growing influence on these states through economic, political and military relations serve the foreign policy goal of denying Pakistan the upper hand in influencing these states with Muslim population for its own strategic benefit. It may not be right to say that energy security was the main factor that pushed India to change its course of foreign policy. However, energy security concern was one of the important factors that factored in India's closer relations with energy resource-rich countries.

Traditionally, India's foreign policy was not conditioned by the compulsion of alliance with major power; whereas South Korea's alliance with the US had always been a major factor in its foreign policy making. South Korea's traditional foreign policy after the Korean War, before its admission to the United Nations, and before the demise of the Soviet Union was primarily to ensure its own security by following an anti-North Korea

and anti-communist policy in its conduct of international affairs (Kim 1998). South Korea concentrated on gaining the international support and recognition for the Korean unification question. South Korea was dependent on the U.S. for its security and it was over-dependant the industrial world for its economic development. South Korea's robust economic growth, its '*nordpolitik*' and the demise of the Soviet Union witnessed South Korea diversifying its economic relations through trade and investment with the developing world and normalizing its relation with China and Russia in the new world economic order. In Iran's case both India and South Korea reduced their import volume of oil from Iran at the behest of or rather due to the pressure from the U.S. But, that did not deter them from continuing with their energy import, though with reduced volume and to continue with their engagement with Iran. India's position was to abide by any multilateral sanctions authorized by the UN but not obligated to comply with unilateral sanction that undermine Indian commercial interests (Pant, 2013:14). In South Korea's case, importance of ensuring energy import seems to be larger than alliance ethics. South Korea was the last ally of the U.S. to significantly reduce its oil import from Iran. Energy security is a point of convergence for India and South Korea's foreign policy vis-à-vis Iran. This is may be attributed to both the countries not attaching any political or ideological agenda in their pursuit of economic, in this case, energy interest.

South Korea's position of confronting the U.S. indirectly for its economic interests is evident in Iran's case, in its confrontation on the issue of pyroprocessing, and in exporting nuclear reactors to UAE. However, there has been an overall foreign policy change in India's approach towards the U.S. The end of cold war and India's new economic policy has factored in India's policy of closer partnership with the U.S. India increasing demand for energy and average success in getting foreign energy resources through vigorous energy diplomacy and lack of major oil and gas reserves and new finds of these within their territory could have been behind the rationale to find partnership with the US through civilian nuclear deal as failure to get sustainable energy resources could force India to increase the use of coal which will have environmental consequences and put enormous pressure on India to act upon it as a responsible developing country (Rajeev, 2010).

Perceiving nuclear energy as an answer to future clean energy goals of India could be the reason in India's strategy to enter into a strategic relationship with the U.S. through the civil nuclear deal. However, India's civil nuclear agreement could be a latent strategy of India to use the nuclear agreement as a way to build energy relationship with countries that are members in the Nuclear Suppliers Group (NSG). Russia welcoming the Indo-US nuclear deal can be seen in this background as it allows Russia to strengthen its ties with India through more nuclear deals. The then Petroleum Minister Mani Shankar, after talks with top Russian energy officials in 2004, described India's partnership with Russia as a crucial one and he went one step ahead and said 'strategic alliance with Russia in energy security, which was becoming for India at least as important as its national security' (Radyuhin, 2004).

Since the end of the Cold War, South Korea and India have been building new partnerships with many countries for economic, political and security interests. Building partnership on the energy front and cooperating with countries bilaterally and multilaterally have become one of their ways to reduce the risk of energy insecurity. Regionally, South Korea has been taking initiatives to cooperate among the countries of the region and extended neighbourhood. Cooperating through Presidential Committee on Northeast Asian Cooperation (PCNAC), Intergovernmental Collaborative Mechanism on Energy Cooperation in North-East ASIA (ECNEA), Energy Ministers Meeting (EMM), Energy Working Group Meetings and International Energy Agency (IEA) are some of the initiatives taken by South Korea to cooperation on energy security issues. Though, at the outset it seems like South Korea's policy on India is largely based on economic considerations, which is true to its policy outlines, forming a defense or security partnership with India could be at the best interest of South Korea's energy security. South Korea, like India, imports gas and oil from the Persian Gulf which means that the East Asian nation consequently relies heavily on the safety of its maritime supply channel. South Korea's energy security makes it dependent on the Sea-lanes through the Gulf of Aden, the Strait of Hormuz, the Indian Ocean and the Strait of Malacca which are the lifelines in maritime trade and energy supply for South Korea.

In 2009, South Korea's National Assembly approved the first foreign deployment of the country's naval forces to join the Combined Task Force (CTF-151) for the purpose of anti-piracy missions in the Gulf of Aden (Roehrig, 2012). South Korea's partnership with India, which has a powerful presence in the Indian Ocean Region (IOR) gives the rationale for South Korea to have closer ties with India besides the growing economic relations for its closer relations with India could be strategically very important for the safety of its energy imports and for its pursuit of a more strategic move of searching allies to address issues like piracy, terrorism and crimes (Travnicek Natasha 2012). South Korea's energy security concerns have been very critical to its cooperation with North Korea for the gas pipeline connecting Russia, North Korea and South Korea. In the case of India, it has been part of few regional energy cooperation measures though none of them have been realised or successful yet such as Iran-Pakistan-India pipeline project, Turkmenistan-Afghanistan-Pakistan-India pipeline project and Myanmar-Bangladesh-India pipeline projects. India has been involved in full fledged bilateral cooperation measures to ensure energy security which gives a tough energy player to ensure energy security on its own. In a nutshell, both South Korea and India's foreign policies have undergone changes to accommodate and address their energy security concerns at the same time carefully building geostrategic dimension vis-à-vis their relation with energy resource-rich countries, other countries of the regions and major powers.



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