

## Working Paper

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# Welcome to Interdependence

Energy, Security, and Foreign Policy in India

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# Content

<b>Introduction.....</b>	<b>3</b>
<b>1. Economic interdependence: India’s Energy demands .....</b>	<b>3</b>
<b>2. Interdependence, Energy, and Security .....</b>	<b>5</b>
Coal.....	5
Oil and gas .....	6
Nuclear Energy .....	7
Indirect Problems.....	7
<b>3. Repercussions on Foreign Policy.....</b>	<b>8</b>
<b>3.1. The domestic level.....</b>	<b>8</b>
<b>3.2. The need for multilateralism .....</b>	<b>9</b>
<b>4. Prospects and Challenges: Interdependence, Energy and Security .....</b>	<b>10</b>

## Introduction

The model of complex interdependence was developed in the late 1970s. In contrast to dominant (neo-) realist approaches which focussed on military and economic capabilities to explain state behaviour, complex interdependence highlighted the emergence of trans-national actors vis-à-vis the state, the rise of international regimes and institutions that compensated traditional military capabilities and the new importance of welfare and trade in foreign policy matters compared to status and security issues.<sup>1</sup> The debate on interdependence was followed by concepts of sensitivity and vulnerability to underline that national policies could be affected by external shocks like the oil crisis in the 1970s.

Taking these criteria it is fair to argue that India entered the era of interdependence with the liberalisation of 1991. India's new export orientation and increasing foreign direct investment abandoned the model of mixed economy and integrated the country into the networks of globalisation. Besides traditional concepts of national security, economic affairs and concepts of energy security gained new importance in the country's foreign policy. Today India is, besides China, regarded as one of the most important growth engines of the world economy. Deutsche Bank research sees India to be the most dynamic economy until 2020 ahead of China and Malaysia.<sup>2</sup> The growth models of India and China correlate with a rising demand for energy. The rise of oil prices in recent months was explained by China's growing energy needs. All forecasts predict that India's demand for energy will also increase in the years to come.

In contrast to the opportunities and constraints that come along with the world of interdependence, the domestic discourse on foreign policy seems to be focused on traditional concepts of power pointing to India's new military and economic capabilities that will give the country an appropriate place in a multi-polar world of the 21st century. The concept of interdependence may be useful to reveal some new constraints and dilemmas that India's foreign policy is facing in the future especially when looking at the linkage between energy and security. First, India's increasing energy demand will further increase her economic interdependence. Secondly, the problem of interdependence is aggravated because many energy resources that India needs desperately are closely interlinked with security and foreign policy issues for instance the gas pipeline project with Bangladesh on the bilateral level and the Indo-U.S. nuclear deal and its repercussions on the NPT on the multilateral level. If these assumptions are valid than interdependence will increase India's vulnerability against external economic and political interferences. India will therefore be stronger but also weaker at the same time. The opportunities and constraints of interdependence may have far reaching repercussions on India's foreign policy. First, they may challenge the foreign policy discourse which is still dominated by traditional concepts of independence, autonomy, and self-reliance. Second, the constraints which reflect India's weaknesses may offer new incentives to enter into multilateral arrangements like the Energy Charter in order to cope with these challenges. In order to underline the argument, the first part of the paper will give some facts and figures that highlight India's dependence on energy imports. The second part will differentiate the various levels where energy and security issues are intertwined. Finally, I will look at the possible repercussions of this double interdependence on India's foreign policy.

### 1. Economic interdependence: India's Energy demands

India's economic liberalisation and export orientation after 1991 has yielded better growth rates compared to the decades before. The new economic policy is regarded as the only strategy to cope with the problems of underdevelopment and unemployment in the long run. Despite heated debates about the degree of liberalisation there is a basic consensus that "clock won't be turned back".<sup>3</sup> All the main parties, i.e.

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<sup>1</sup> Keohane, R.O./Nye, J.S., *Power and Interdependence*. World Politics in Transition, Boston 1977.

<sup>2</sup> Deutsche Bank Research, *Globale Wachstumszentren 2020*, in: *Aktuelle Themen*, 9. Februar 2005, Nr. 313.

<sup>3</sup> Krishnaswami, Sridhar, 'The Clock Won't be Turned Back: Sinha', *The Hindu*, April 18<sup>th</sup>, 1998.

Congress party and partners, Bharatiya Janata Party (BJP) and partners, and the left and regional parties, headed governments after 1991 and have pursued the path of liberalisation despite different partisan preferences and strategies in the implementation of reforms.

One of the main consequences of liberalisation on foreign policy was the new importance of economic issues for instance attracting more foreign direct investment. Another consequence that followed the changes of 1991 was a new debate about energy security that started since the mid-1990s. It is not necessary to discuss whether India's new economic policy is more or less energy intensive than before 1991. Market competition gives companies normally a higher incentive to look for more energy saving modes of production in contrast to state regulated system in which energy is heavily subsidized. The need to start a discussion the future strategy of energy security evolved from the collapse of the Soviet Union, India's most important and reliable supplier for oil and oil products.

Because the indigenous base is too small to achieve energy self-reliance, Indian governments have developed a four-pronged strategy in order to cope with energy security. The first part includes the diversification of energy imports and the acquisition of equity oil by India's state-owned oil companies. Secondly, it was decided to build up a strategic petroleum reserve (SPR) in order to cope with sudden losses after a regional crisis in the Gulf. The third part of the strategy aims at the extension of the domestic exploration and lastly production and fuel diversification.<sup>4</sup>

At present India is the sixth largest consumer of energy and the third largest consumer of oil and gas in Asia only after Japan and China.<sup>5</sup> India's main domestic energy resources are coal (68.3%), hydro (11.9%), gas (11.5%), oil (4.6%) and nuclear power (2.8%). The rest are renewable resources like solar energy and biomass.<sup>6</sup> All forecasts predict that India's hunger for energy will increase as a result of a growing population and rapid industrialization. In 2010 India will be the fourth largest consumer of energy after the United States, China, and Japan.<sup>7</sup> The interesting aspect is that India's dependency will increase in nearly all important fossil fuels except hydro. India is already importing 70 percent of her oil supplies and this share is going to increase to 90 percent by 2030.<sup>8</sup> The situation is only slightly better in the gas sector. India recently made some large discoveries of gas but all estimates show that India's import dependency will be around 40 percent in 2030. Although India's coal reserves are among the biggest in the world, the gap between supply and demand will also make it necessary to import more coal in the years to come.<sup>9</sup> India's import dependence is most obvious in the nuclear field. The sanctions by the West following India's nuclear tests in 1974 and 1998 have restricted the share of nuclear power to a meagre 2.8 percent of total energy production. The figures in energy consumption and the long term scenario indicate that India will become more dependent on energy imports in the future.

One of the consequences of this scenario is that India's dependence from the international energy market will increase, making the country more vulnerable against external shocks. Another aspect is that the main oil reserves are concentrated in the Middle East, so that India is, like many other countries, becoming more dependent on oil imports from this crisis ridden region.<sup>10</sup> Part of the government's strategy is to diversify energy imports and to acquire equity oil by India's state-owned oil companies that is Oil and Natural Gas Company (ONGC) and its export arm the ONGC Videsh Limited (OVL). At present OVL is active in 14 countries and has 23 projects. In West Asia the main focus is on Iran, Iraq, Libya, Syria, the United Arab Emirates (UAE) and Oman. In Africa OVL is operating in Sudan and Ivory Coast, in Latin America Venezuela is an important partner. Moreover OVL has shares in the Sakhalin oil fields in Russia.

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<sup>4</sup> International Energy Agency, Findings of Recent IEA Work 2005,

<http://www.iaea.org/textbase/nppdf/free/2005/findings.pdf> (accessed June 9, 2006), p. 73.

<sup>5</sup> Tonnesson, Stein/Kolas, Ashild, Energy Security in Asia: China, India, Oil and Peace, Oslo 2006, p. 39.

<sup>6</sup> Tonnesson/Kolas 2006, p. 39.

<sup>7</sup> Mitra, Primit, Indian Diplomacy Energized by Search for Oil, in: YaleGlobal, 14 March 2005, p. 2

<sup>8</sup> IEA 2005, p. 73.

<sup>9</sup> 'Energy Security in India: Key issues, Multiple Strategies', Energy Security Insights, October 2005, p. 13.

<sup>10</sup> Dietl, Gulshan, 'The Security of Supply Issue: The Growing Dependence on the Middle East', Audinet, Pierre, Shukla, P.R./Grare, Frederic (eds.), India's Energy. Essays on Sustainable Development, New Delhi 2000, pp.209-223.

Besides OVL private companies like Reliance are also securing exploring rights for instance in Oman in January 2005.<sup>11</sup>

But because of the scarce financial resources ONGC and OVL are only weak players in the international market and are often outbid by other countries. Indian companies have lost several times against Chinese companies for instance in Kazakhstan and Ecuador. As a consequence of this competition India was looking for closer cooperation with China. In December 2005 China National Petroleum Corp (CNPC) and India's Oil and Natural Gas Corp (ONGC) agreed to buy a 37 percent stake in Syrian oilfields from a Canadian oil company. In January 2006 both countries signed a MoU to promote collaboration among their state owned oil and gas companies. In order to achieve a better coordination a joint working group on hydrocarbon cooperation was also established. Examples for cooperation between India and China are the common development of the Yadavaran oil fields in Iran, where Chinese SINOPEC would obtain a 51 per cent stake and ONGC 20 per cent stake.<sup>12</sup> At present both countries are planning a joint bid of two billion US\$ for oilfields in Kazakhstan.<sup>13</sup> Both countries have also extended their cooperation to regions like Africa where Indian and Chinese companies have cooperated in Sudan.

Besides China, the quest for energy has also intensified India's relation with Russia. Energy cooperation had been a very prominent feature of Indo-Soviet relations during the Cold War. After 1991 the bilateral relations lost much for their exclusive character because both countries had to cope with the challenges of liberalization and integration into the world market. In 2004 both countries signed a MoU for joint exploration of gas in the Caspian Sea and for building facilities to store gas underground in India. OVL's stake in the Sakhalin-1 block is the biggest investment abroad with presently 2.7 billion US\$. Russia seems to prefer Indian companies in some energy deals which may help to intensify bilateral relations in the long run. This is important for India because it is not in the position to cope with major Chinese or U.S. oil companies.<sup>14</sup> Together with the cooperation in the nuclear field and the delivery of nuclear fuel to Tarapur in April 2006 Russia became again a much more important international partner for India.

India's new quest for oil and gas has also intensified relations with African countries. Besides Sudan, India was not able to secure energy bid in Nigeria but started energy cooperation with Libya and Ivory Coast. In Latin America, the energy pact between India and Venezuela of March 2005 also opened a new chapter of Indian foreign policy towards that region.

## 2. Interdependence, Energy, and Security

Economic interdependence reflects the average normal ground where states, state-owned firms or multinational energy companies try to secure their share in a competitive market. Depending on economic strength and negotiating skills companies may win or lose in that competition. Apart from this, it is argued here, India is faced with another dilemma of interdependence which results from the close linkage between energy needs and security concerns. This becomes evident when the main energy sources, i.e. coal, oil, gas, hydro and nuclear, are regarded in the context of India's security and foreign policy issues. Besides this, the search for energy brings new indirect security and foreign policy issues.

### Coal

Coal has at least two advantages for India: First, the country has plenty of it, and second, there are hardly any security concern connected with coal. As mentioned before, India is presently number three in the list of coal producing countries worldwide. India has proven reserves in coal for the next 200 years or more. 60

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<sup>11</sup> Kumaraswamy, P.R., 'India's slippery oil diplomacy', ISN Security Watch, June 14<sup>th</sup>, 2006.

<sup>12</sup> Kumaraswamy 2006.

<sup>13</sup> Aiyar, Pallavi, 'China visit a crucial test for Deora', The Hindu 15<sup>th</sup> June, 2006.

<sup>14</sup> Mahalingam, Sudha, 'Sakhalin energy and the Russian roulette', The Hindu, June 8<sup>th</sup>, 2006.

to 70 percent of India's power generation comes from coal. The high ash content and the high dependence on coal mean that India has one of the highest levels of carbon intensity in Asia, i.e. carbon emissions per dollar of GDP.<sup>15</sup> Forecasts predict that India will also face a demand gap in coal, so that it will become necessary to secure more imports and to improve the quality of the domestic coal. Because of this India is already importing coal mainly from Australia, Indonesia, and South Africa.<sup>16</sup> Fortunately India does not have any serious security problems with these three countries so that coal imports should not pose a serious challenge in the future. India has intensified collaboration with these countries not only on the bilateral but also on the multilateral level for instance within the framework of the Indian Ocean Rim Association for Regional Cooperation (IORARC) which was established in 1997. The improvement of India's domestic coal to meet her energy needs and international environmental standards will also intensify cooperation with developed countries. For instance India and the U.S. have already signed agreements for cooperation in the green coal technology and India and Germany have started an energy dialogue.

## Oil and gas

The increase of public and private transport following the liberalisation has led to an enormous increase of oil and gas imports in the 1990s. Because of the lack of indigenous resources it is the oil and gas sector where India's dependence will be felt mostly and where the linkage between energy and security issues is most obvious.

Within the South Asian framework India's relations with Pakistan and Bangladesh are affected. To overcome the decade old conflicts with Pakistan Indian governments are pursuing a strategy of closer economic cooperation that may help to push contentious issues like Kashmir in the background. Pipeline projects that will link India with Iran and Central Asia have to pass through Pakistan. The Pakistan government seems to be willing to give guarantees for the pipelines. But there is still an inclination in Pakistan to trade off security interest like in Kashmir against an extension of economic relations with India. Moreover Pakistan is faced with attacks on already existing pipelines in Baluchistan which are beyond the scope of India's foreign policy.

The new gas reserve in the Bay of Bengal seemed to start a new area of Indo-Bangladeshi relations. With the help of U.S. companies the gas should be explored and parts of it exported to India. But the ambitions plans of gas exports to India fall prey to the difficult Indo-Bangladeshi relationship. These plans initiated a heated debate in Bangladesh and both main parties the Awami League and the Bangladesh National Party (BNP) were reluctant to find a compromise with India. Afterwards Bangladesh was seen as a transit country for gas from Myanmar to India but these plans again faced various problems.

Besides the bilateral tensions with Pakistan and Bangladesh, the pipeline issue implies further security and foreign policy considerations that touch India's relations both with the U.S. and China. The Iran-Pakistan-India (IPI) pipeline project became closely intertwined with the international debate about Iran's nuclear programme and relations with the U.S. India joined the international community and voted against Iran in the IAEA in September 2005. The new constraints that Indian foreign policy is now confronted became obvious with the remarks of U.S. ambassador Mulford in January 2006 in Delhi when he linked India's vote in the IAEA with the July 18<sup>th</sup>, 2005 agreement between India and the United States which started the debate on civilian nuclear cooperation. This sparked off a heated debate in India about possible arrangements between India and the U.S. which may restrict India's autonomy in foreign policy.<sup>17</sup> It is still not clear whether India is going to pursue the IPI under these conditions. But India has already looked for alternative projects and considers to join the Turkmenistan, Afghanistan and Pakistan pipeline project (TAP).<sup>18</sup> This project has various advantages. It will promote cooperation with Pakistan with is in

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<sup>15</sup> Asia Pacific Economic Update, 2005, p. 125.

<sup>16</sup> Mathur, Rita/Bhandari Preety, 'Securing Energy for India: Race for Oil, Gas or Coal?' Geopolitics of Energy, 27 (August-September 2005) 8&, p. 12 (8-15).

<sup>17</sup> 'India rejects linking Iran vote to nuclear deal with U.S.', The Hindu, January 26<sup>th</sup>, 2006.

<sup>18</sup> 'Delhi invited to join TAP gas project', Dawn, March 16<sup>th</sup>, 2006.

India's interest, it has the approval of the United States and it circumvents Indian collaboration with Iran. The United States have underlined their interest to offer alternative energy sources to India if the country is withdrawing from the IPI project. The civilian nuclear deal can therefore be seen within the larger context of Indo-U.S. relations and the endeavours of the U.S. to support India's energy needs.<sup>19</sup>

Whereas Iran touches relations with the United States, India's search for gas in Myanmar is linked with Indo-China relations. In recent years India has intensified relations with Myanmar both in infrastructure and in fighting rebel groups in the North-East. Moreover India was eager to secure exploration rights in the country's gas fields. The military regime used China's and India's interest to play off both countries against each other. In January 2006 Myanmar and China signed a MoU to export 6.8 trillion cubic feet gas.<sup>20</sup> After the plans for gas export with Bangladesh failed India was looking for a trilateral agreement to export gas from Myanmar via Bangladesh to India. But again India and Bangladesh could not reach an understanding. As a consequence India is now promoting a pipeline from Myanmar through the North-East which will circumvent Bangladesh to secure gas supplies from Myanmar directly to India.<sup>21</sup>

## Nuclear Energy

At present nuclear energy only has a share of hardly three per cent in India's energy production. This is one consequence of India's refusal to sign the NPT that triggered off a series of sanctions after the country's nuclear tests in 1974 and 1998. Because of the link between civilian energy issues and strategic question, the nuclear issue has certainly a special status in India's energy diplomacy.

The recent Indo-U.S. deal of March 2006 focuses on the civilian cooperation in the nuclear field in order to cope with India's energy gaps. At the same time the whole debate on the Indo-U.S. nuclear deal is closely connected with India's great power ambitions and her nuclear weapons programme. The possible repercussions of the March 2006 agreement on the Non-Proliferation Treaty (NPT) have triggered a debate whether the Bush-Administration is going to undermine another multilateral regime or whether the agreement may help to strengthen the NPT by bringing India closer to it. The NPT lobby is still critical and demands further commitments from India, whereas the supporters pointed to the positive effects if a country like India can be incorporated in the framework. An interesting aspect in the debate was that even Muhammed Al-Baradei the director of the International Atomic Energy Agency (IAEA) has welcomed the agreement as a "creative break with the past".<sup>22</sup> If the agreement is accepted both by the U.S. congress and the Nuclear Suppliers Group (NSG) it will open new avenues for nuclear cooperation not only between India and the U.S. but also for similar agreements with U.K. and France. Even countries like Germany may benefit from such an agreement because more sophisticated technology can be exported to improve India's civilian nuclear programme. Besides the question of energy cooperation the agreement also has a far reaching symbolic dimension. The acceptance of the nuclear powers and the NSG to give India an exceptional position in an enlarged NPT framework would certainly be interpreted that India has achieved a status as a major power in the international system.

## Indirect Problems

The quest for energy will probably also re-shape the geographical range of India's foreign policy. Relations with Africa and Latin America will become more important but no longer in the context of traditional concepts of third world solidarity but under the focus of a much more interest based policies. India's new African strategy, which is still not yet visible, may create additional problems which can interfere with her

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<sup>19</sup> Iqbal, Anwar, 'US offering alternative energy sources to India: Iran gas pipeline project', Dawn, May 19<sup>th</sup>, 2006.

<sup>20</sup> Asaduzzaman 'Burma exporting gas to China as Bangladesh, India hesitate', Prothom Alo, January 16<sup>th</sup>, 2006.

<sup>21</sup> 'India steps on gas to block Chinese threat', Times of India, June 15<sup>th</sup>, 2006.

<sup>22</sup> 'Indo-US nuclear deal "creative break with the past"', says IAEA chief, PTI, June 14<sup>th</sup>, 2006.

relations to the U.S. and to Europe.<sup>23</sup> China economic success in recent years and Chinese activities in parts of Africa, Asia and Latin America have sparked off a debate whether this may be the beginning of a new development model that can be summarized as “Beijing consensus”.<sup>24</sup> It aims at an alternative development model vis-à-vis the Washington consensus of the early 1990s of the Western world emphasizing stability and development against liberal freedoms. In her quest for energy China is supporting regimes in Africa, like in Sudan, that would be labelled as “rogue states” in the West. Investment and support in infrastructure, education and credits may create a new network of cooperation partners which will turn towards China rather than to the development institutions and the donor community of the west. Analysts have pointed to the weaknesses of China’s soft power so it may be too early to see the emergence of a new Chinese network.<sup>25</sup>

India will have neither the economic nor the political capabilities in the years to come to establish a similar model of a “Delhi Consensus”. India has emphasized her common values in relations with the United States and Europe in recent years and became for instance a member in the ‘Global Democracy Initiative’. But the commitment to common norms like democracy and human rights may contradict with national interest like energy security. The trade-off between these principles will be another challenge that Indian foreign policy is confronted with in the future probably more in Africa than in other parts of the world. How will India’s react when there are sanctions by the West or the international community against regimes in Africa where India has energy interests?

### **3. Repercussions on Foreign Policy**

The repercussions of the interdependence between energy and security on Indian foreign policy can be identified in the national and international level. Domestically, in the foreign policy discourse on the one hand and the need for more reforms in sensitive policy fields on the other hand. Internationally, interdependence may offer another incentive for India to engage in multi-lateral institutions.

#### **3.1. The domestic level**

The foreign policy discourse

The repercussions of energy and security can also be seen in the discourse on foreign policy. Since 1991 the discussions of India’s foreign policy are centred round her new economic capabilities which made her a much more attractive partner for the great powers than before. A series of strategic partnerships with the United States, France, Great Britain, Russia, China, the European Union, Germany and other countries underlined India’s new role. This was often conceptualised as India’s emergence as a “new” or “next” great power in the international system. These concepts have their theoretical home base in the (neo-) realist school of thought of International Relations (IR) Theory. India’s future role in the international system is defined by her future economic, military, and technological capabilities that are regarded as the basis for great power status in the envisioned multi-polar system of the 21<sup>st</sup> century.

But this perspective neglects the growing vulnerabilities that come along with the benefits of economic growth and that are most reflected in the energy field. The model of complex interdependence allows it to see both sides of the coin, the opportunities and the constraints that come along with it. As a modification to (neo-) realist arguments institutionalists would conclude that India will become stronger and weaker at the same time.

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<sup>23</sup> Mohan, C. Raja, ‘India’s new focus on Africa’, *The Hindu*, May 12<sup>th</sup>, 2003.

<sup>24</sup> Ramo, J., *The Beijing Consensus*, London 2005.

<sup>25</sup> Gill, Bates/Huang, Yanzhong, *Sources and Limits of Chinese ‘Soft Power’*, *Survival*, 48 (Summer 2006) 2, pp. 17-36.



Such a notion of interdependence is hardly conceptualised in the both in foreign policy discourse and the public debate. This became obvious during the demonstrations against U.S. President Bush in India in spring this year and the arguments between the government and the left parties about India's independent foreign policy. There still seems to be the illusion that despite a growing international involvement that is promoted by the government India will be able to retain her traditional autonomy in foreign policy.<sup>26</sup> A closer look at the energy issues makes it clear that the days of independence are over. Economically, becoming a new power and benefiting from the process of globalisation means at the same time to increase one's interdependence. Politically, the recognition of India's great power ambitions also implies an increasing responsibility so that it is doubtful whether an "independent" foreign policy will be the right answer.

### *The need for reforms*

Besides the government strategy outlined above to cope with India's energy needs there are also domestic approaches to deal with the problem. First is to increase power efficiency for instance in the generation of power and be reducing the loss of electricity. A second strategy can be to promote the use of renewable energy resources to diminish external dependencies. Finally, the energy issue also aims at tricky political questions. One is the reform and restructuring of state electricity boards, another would be the introduction of a more suited tariff system. One of the most difficult areas are the power subsidies for the rural sector.

### **3.2. The need for multilateralism**

Interdependence hints not only at the economic strength that may come with high growth rates but also at the constraints that India is facing in the future. The debate about energy security and is seem mainly to be shaped by neo-realist assumptions that the future "race for gas, oil, and coal" may unavoidably lead to armed conflicts over the control of resources. But using an institutional-based framework leads to different conclusions. Energy infrastructure is a sensitive network for all participants involved. The future net of pipelines and sea lanes of communication can hardly be controlled by one country. The attempt to control the network or interfere in its functioning by military means will have negative consequences for all countries involved. In this context growing interdependence may give additional incentives for closer cooperation whereas confrontation is only the second best strategy. This may be a more feasible foreign policy strategy for countries like India which have neither the political will nor the capabilities to secure their energy needs unilaterally. Bi- and multilateral collaboration is therefore a much more attractive alternative.

India's focus on bilateral agreements is obvious against the low activities in regional and multilateral institutions. India is still considering becoming an observer in the Energy Charter Treaty (ECT) which is a multilateral institution.<sup>27</sup> This would help to implement India ambitious pipeline plans with her near and far neighbours because the ECT is a legally binding institution. Important countries for India's energy needs like oil and gas producer Iran, Saudi-Arabia, and Pakistan as a transit country have already observer status. Intensifying regional energy cooperation may be another approach. In 2001 the South Asia Regional Energy Coalition (SAREC) was established with the support of USAID. The main goal is to "promote the concept of an integrated South Asia energy market. This is achieved by cultivating and facilitating cooperative relations among South Asia's national and bi-national business organizations through the leadership and support of the U.S. Chamber of Commerce."<sup>28</sup>

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<sup>26</sup> For a critique of the concept of autonomy from a more neo-realist point of view see Mohan, Raja C., *Impossible Allies. Nuclear India, United States and the global order*, New Delhi: India Research Press 2006, p. 269.

<sup>27</sup> 'India likely to sign energy charter treaty', *The Economic Times*, April 7<sup>th</sup>, 2005.

<sup>28</sup> <http://www.sari-energy.org/sarec/> (accessed June 16<sup>th</sup>, 2006).

#### **4. Prospects and Challenges: Interdependence, Energy and Security**

The argument is that India's energy needs reflect the new constraints of interdependence that India is confronted with in the era of globalisation. Interdependence resembles a coin. On the front side it shows India's new economic and political strength in international affairs, on the rear side one sees India's new dependences and vulnerabilities because of the linkage with many security issues. Generally, India will probably benefit from the new interdependence although it will introduce new constraints on her foreign policy.

The integration into the world market and the network of globalization should change the foreign policy discourse that still centres on concepts of self-reliance and independence. India's growing economic interdependence of which her energy imports are the most important part will change the discourse in the long term perspective. On the international level India has a disadvantaged position on the world energy market. The government strategy to diversify oil supply is without alternative as the domestic production cannot be enlarged in a significant manner. India is putting a stronger focus on the extension of bilateral relations in order to secure energy supplies. Here it remains to be seen in how far India's energy needs will collide with other foreign policy imperatives when it comes to cooperation with rogue states regimes in Africa. India's energy demands are closely interlinked with security issues in all important energy sources except for coal. Not only "energy security" but "energy and security" are therefore the main challenges for Indian foreign policy.