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Possibilities and Pitfalls in India’s Quest for Energy Security in Africa

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Central question:

• What is the state of play in India’s quest to enhance its energy security through closer partnership with the African continent?
One of the notable developments in international economic relations in recent years has been the growing economic engagement between African countries and India and China. Continent with largely US and European dominance now infiltrated by the “new energy-hungry kids on the bloc” – India and China = unfolding rivalry among world’s fastest growing economies seeking stable sources of energy supply. Concept of energy diplomacy has evolved. African countries have been alert to and receptive to the increased diplomatic and investment interest but have not benefited fully from this strategic fixation with African energy resources.
Rationale for the interest in Africa:

• 9.7% of world’s oil reserves (in past 10 years reserves have jumped 56% and production by 30%) / 117-144.4 billion barrels and enormous latent potential
• 7.8% of world’s natural gas reserves
• 5.6% of world’s coal reserves
• South Africa has 11% of world uranium reserves
• Existence of coal liquefaction technology
• 70% of oil production concentrated in Gulf of Guinea which stretches from Cote d’Ivoire to Angola
• Low sulphur content of West African crude
• Nigeria is the world’s 8th largest oil exporter
• Accounts for over 20% of Indian oil imports
• Accounts for 25% of Chinese oil imports
• Expectation of providing 25% of US oil imports by 2015
Enabling environment

- Continent’s strong market performance in recent years, driven by better regulatory regimes, structural reforms, higher growth rates, rising foreign direct investment and foreign exchange reserves, robust export performance, and improvements in debt levels in addition to improved political stability
Risks and Vulnerabilities

- Political uncertainties in certain regions
- External shocks
- Piracy and terrorism
- Interstate and ethnic conflict
- HIV / AIDS
- Corruption
- Environmental degradation
- Tariff barriers
Diplomatic relations and influence:

• 1990s – downsizing of Africa’s importance in India’s international priorities
• Diplomatic presence shrank – redirected to Israel and Central Asian countries
• Post Cold War focus on North America and Europe
• Africa shifted to the margins on India’s radar
Sharp contrast with China’s onslaught:

- Flurry of state visits
- Trade grew 700% in 1990s
- Promise of US$20 billion package in infrastructure and trade financing
- Pledge to double development assistance to Africa by 2009
- Debt write-off of US$1.5 billion with further promises of write-offs
• 900 projects in Africa
• 800 companies operating
• Offered 20,000 scholarships and trained 17,000 African professionals
• No value judgements on political governance
• Extensive West African oil investments
• China has betted on the belief that the petroleum bearing belt stretches from the Gulf into East Africa – CNOOC exploration of unproven oil and gas resources off the coast of Kenya – access to six blocks of a total area of 115 343 sq km – production sharing deal and payments only if reserves are discovered

• Increased Chinese naval activity in the Indian Ocean – concern to India which supplied a naval ship to Seychelles after similar offer from Chinese
Resurgence of Indian interest leveraged through:

- Doubling the value of trade between 2001 and 2007
- Stepping up diplomatic offensive
- Consolidating relationships with various sub-regions
- Challenging the “framework within which we produce and consume energy”
• Stressing the historical relationship between India & Africa as “sister continents” Stressed the “shared histories of colonial subjugation” and organized solidarity
• Its role in UN peacekeeping “without any self interest”
• Its contribution to human capacity development
• Aid-for-oil strategy - extending lines of credit
• Pooling its technologies and resources
• Bridging the digital divide
• The significant presence of the Indian diaspora
• Seizing opportunities for explorative studies
• Institutionalised mechanism for dialogue
India’s strategies and strengths are quite different:

- Monaghan (2007): “Indian companies are much more integrated into African society and the African economy. They hire locally and emphasize training Africans on how to maintain and repair the plants they build. Since Indian investments are generally more equitable for locals, locals have a greater stake in Indian projects.”
• Contrast with China’s focus on resource extraction
• But India has been “impressed” by China’s successes in African countries and appears to be trying to replicate the aid-for-oil strategy
• In West Africa, India has offered up to US$1bn towards power or infrastructure projects in exchange for oil-exploration rights and supplies

• 2005 – Mittal Steel and ONGC announced an investment of US$6bn to establish a refinery, power plant and railway lines in Nigeria in exchange for oil blocks
Warning from analysts that India would lose public goodwill by adopting China’s strategy:

- Raja Mohan (2007): “If India wants to avoid the charges of ‘neo-imperialism’ that have been directed against China, it needs to develop a policy of sustainable partnership with Africa .... It must develop a radically different model of aid and economic co-operation that focuses on capacity building and technology and skill transfer to Africa.”
• Vines and Price (2008): “India should not regard Africa as simply a source of natural resources. Instead, it needs to invest in the region's human capital and share Indian know-how.”
Nature of US anxiety:

In 2001, Vice President Dick Cheney’s National Energy Policy Development Group recommended that the administration “make energy security a priority of our trade and foreign policy”.

• “…oil is the key concern in the US establishing its African command…”

Jomo Gbomo Movement for the Emancipation of the Niger Delta (MEND) (quoted in Hallinan 2007)
• NATO is “talking” about using its forces to protect oil tankers off the coast of the west coast of Africa and to provide security for “storage and production facilities in areas such as the oil-rich Niger delta”

General James L. Jones NATO supreme commander
Indian bi-lateral relationship with China:

• (China’s) “energy supplies cannot meet its increasing demands and the gap between demand and supply becomes larger and larger … India and China are working in oil and mining sectors in Africa … The healthy competition between Indian and China do not produce any hostile environment to each other vis-à-vis Africa.”

--- Xia Yishan in interview with Suresh Kumar (2006)
Conclusions:

• Energy diplomacy will be a central feature of Indian foreign policy and investment outlook in the foreseeable future.

• Competition for energy resources between and among the different players is unlikely to dissipate but there are prospects for joint initiatives like that between India and China in Sudan.
• In spite of US and European military capacity being focussed on Iraq and Afghanistan, African energy resources remain of key strategic importance to them.

• African countries may not be deriving the full benefit of the intense interest in the continent’s energy resources but there have been selected instances of playing off India and China against each other.
African countries maintain an investment climate receptive to investment in the natural resources sector but this ought to be conceived within “an enduring framework of co-operation with Africa that is sensitive to the prevailing human conditions and focuses on capacity building rather than a mere extraction of energy and mineral resources”.

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