

Australia's resource diplomacy and India's energy needs

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Dr Ashutosh Misra



Dr Misra is an Associate Investigator at the Centre of Excellence in Policing and Security, Griffith University.

India is the world's sixth largest energy consumer owing to robust economic development, industrialisation and rising human population. It is estimated that by 2025 India will become one of the world's top energy consumers along with United States and China. India currently imports 69% of its oil out of which 67% comes from the Middle East. And considering the volatility of that region, India realises the need to devise a comprehensive energy security regime. The Indian public and private sector companies through consortiums have had their tasks carved out in exploration, refining, marketing and transportation, with a fair degree of success over the years. India also has been going energy hunting from West Asia, Persian Gulf, Central Asia, and South Asia, to the Asia-Pacific with mixed results. Indian company Oil and Natural Gas Commission Videsh Limited (OVL) has repeatedly lost major overseas hydrocarbon bids to Chinese competitors, Petrochina and Sinopec.

In a major move to reduce dependence on oil, the government of India took three key decisions. First, switch over from oil to gas; second, invest in research and development in renewable energy sources; and third, increase the share of nuclear power to meet the burgeoning energy demands. This led to the landmark Indo-US nuclear deal in 2006 under which provision 123 of the United States Atomic Energy Act were amended though the Henry J Hyde Act to enable uranium supplies to a non-NPT signatory, India.

It is in this context that Australian energy policy and resource diplomacy crosses path with India's energy and security needs. Australia owns 39% of the world's uranium reserves and is a member of the 45-member Nuclear Suppliers Group (NSG) in which it played an extremely vital role in October 2008. It helped approve a US proposal to lift the ban on nuclear trade with India under the India-US nuclear deal.

It certainly baffled New Delhi to find the government which facilitated the approval by the NSG would soon veto the supplies of uranium from its reserves. The veto perhaps driven by politico-ideological consideration was justified on the grounds that Australia

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should not become party to a nuclear arms race in South Asia. It was nonetheless taken in a rather spirited manner by New Delhi which labelled it as an understandable complexity of democracy. The decision reminded India how leadership can play such a decisive role in shaping foreign policy over issues which are less to do with national priorities and more with party ideology. Unfortunately, for the Rudd government, Australia–India relations continued to tumble due to other unforeseen developments such as the attacks on Indian students in Australia. In the process Australia's positive role in the NSG was completely forgotten and Canberra too, did very little to sell it aggressively in the Indian media.

The contours of Australia's resource diplomacy still remain largely unstructured. In this context the talk of sustaining uranium resource diplomacy vis-à-vis India appears out of sync not only with the shifts in international politics but also with Australia's own resolve to seek stronger relations with India. It must not be lost to the protagonists of resource diplomacy that it is structurally unstable in nature and runs the risk of backlash if not carried out meticulously. The instrument of resource diplomacy is predominantly perceived by the developing countries as a tactical neocolonial strategy and may cause grave misgivings between nations. Therefore, the political leadership must take extreme care in ascertaining whether resource diplomacy is to be exercised for political, economic, strategic or ideological reasons.

Another, key aspect of resource diplomacy is the timing. Any misjudgment in its timing may not only harm bilateral relations but could also possibly hurt the economic interest. In the strategic community in Australia, increasingly the point is gaining traction that the window of opportunity to supply uranium to India is not infinite and therefore must be done sooner rather than later. As the US, France, Russia and other suppliers line up, Australia's decision to supply uranium after much delay, may just lose its diplomatic, political and economic currency. Like New Delhi, strategists in Australia are hopeful that after the leadership change and the rise of Julia Gillard to power, policy on the issue may change. Gillard's emphasis on improving relations with India offers promise on several fronts, including uranium.

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