Negotiating Energy Diplomacy and its Relationship with Foreign Policy and National Security

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ABSTRACT

Energy diplomacy is a complex field of international relations, closely linked to its principal, foreign policy and overall national security. We observe the relationship of issues that belong to the three concepts and how they are intertwined in the geopolitical reality. Despite the ontological hierarchy of the three concepts, where national security is on the highest level of generality, and energy diplomacy on the lowest, it is a recurring theme for them to continuously meet and intersect in realpolitik in a dynamic relationship. The article specifically looks at the integration of energy diplomacy into foreign policy. We discuss two pathways that energy diplomacy has taken on its integration course into foreign policy, namely the path marked by national security topics and the path that is dominantly an economic one. The article also observes the nexus of national security, foreign policy, economic security and economic diplomacy, which is termed the energy security paradox. It exemplifies the inconsistencies in the general state of affairs in which resource riches of a country result in a stable exporter status and consequentially, stable exporting energy diplomacy. The recommendation for further research is suggested, directed at the new dynamics of the relation of energy transition and energy diplomacy. Research could facilitate in understanding or envisaging how new low carbon energy sources coupled with energy efficiency will influence the new geopolitical map, affecting energy diplomacy in the geopolitical context where geography will have a lesser dominance on international relations.

Keywords: Diplomacy, Energy Diplomacy, Foreign Policy, National Security

JEL Classifications: F5, O13, P32

1. INTRODUCTION

Energy diplomacy is a complex field of international relations, closely linked to its principal, foreign policy, and overall national security. We observe this relationship, especially the integration of energy diplomacy, as a relatively new foreign politics field, into national foreign policies. Foreign politics has been around for thousands of years of our civilization, while energy has only entered in the last 150 years. However, in that period foreign policy and energy have had an increasing number of overlapping and interconnected elements. Foreign policy in its own part is closely linked and dependent on the concept of national security. National security is a principle of actions governing relations of one state with others based on geography, external threats and other national security challenges, of which energy is one.

The three concepts, national security, foreign policy and energy security are ontologically structured, where national security is the most general concept, foreign policy is one level lower covering the international aspect of national security risks, and the lowest on the scale is energy diplomacy. Foreign policy is linked to national security as it is the tool which implements overall national security. National security also has a direct link to energy diplomacy. National security denotes the capability of a nation to overcome its internal and external multi-dimensional threats by balancing all instruments of state policy through governance (Paleri, 2008). It aims to protect...
national independence, security and territorial, political and economic integrity, dealing with a large number of national security risks.

Multi-dimensional threats that national security covers include a wide range of risks, thus incorporating the concepts of economic security, energy security, physical security, as well as the aspects of environment, food, migrations, cyber security and others. Energy is one of the fundamental items on the national security agenda. National security that deals with such external issues and risks is applied and implemented by government departments for external relations. Implementation of the national security strategy involving external factors and international issues is carried out through foreign policy instruments, namely international relations and diplomacy. Energy diplomacy specifically focuses on external energy relations. Despite the ontological hierarchy of the three concepts, it is a recurring theme for them to continuously intersect in practical diplomatic life and the geopolitical reality.

2. THE RISE OF ENERGY RISKS ON THE NATIONAL SECURITY AGENDA

Energy diplomacy is a growing diplomatic field, aimed at providing energy security. Energy has entered the sphere of diplomacy and foreign policy as a result of its rising impact on national security and economy. Energy, the ability to do any work, powers the economy. Its uninterrupted flow, inward for importing countries, and outward for exporting, must be secured at all times. Until the last few decades of the 20th century the question of energy was not treated as a matter of such urgency nor geopolitics. The availability, affordability and supply were not a security issue. The industrial production and consumption capacities were smaller, and movement of energy was generally safe and dependable. Throughout the industrial revolution the increasing need for energy grew at a remarkable pace, spiraling in the 20th century. Only in the last 50 years, between (International Energy Agency, 2019) 1971 and 2017 world total primary energy supply grew by more than 250% from 5,519 Mtoe to 13,972 Mtoe (Figure 1). Energy use worldwide is yet to grow by one-third until 2040 (International Energy Agency, 2015).

![Figure 1: World total primary energy supply by fuel](image)

Source: IEA, 2019

The changed situation generated a series of factors that required energy security and energy diplomacy to be elevated onto the national security agenda. National security departments worldwide closely monitor the severe escalation of energy use. The modern consumer and the contemporary economy have gradually grown to critically depend on energy. Hence, economy and energy have become inseparable concepts. Energy has become a synonym for the economy and power, and not having enough of it became a concern of the utmost national security. Access to energy resources has decided on war outcomes¹, security of supply shaped national and international agendas, oil and gas producing countries organized together into coalitions, tapping into the newly discovered energy resources to back their political and geopolitical goals. Oil and gas companies became some of the most influential organizations in the global business and power-influencing arena (Perticone, 2019). Oil price volatility caused by oil shocks, like portrayed in the Figure 2 (Verleger, 2019) spelled economic fortunes or disasters for many participants in the international arena affecting national and geopolitical strategies. The economic consequences were considerable, so energy had to be included on the list of security and foreign policy issues of states.

3. NICHE DIPLOMACY

Energy diplomacy refers to diplomatic activities designed to enhance access to energy resources and markets (Giuli, 2015). It is a system of influencing the policies, resolutions and conduct of foreign governments and other international factors by means of diplomatic dialogue, negotiation, lobbying, advocacy and other peaceful methods. The general relationship between foreign policy and energy diplomacy is conceptually one of principal and agent. Foreign policy sets the goals and overall political strategy while energy diplomacy is a mechanism for achieving the goals. Energy diplomacy is an instrument of foreign policy. The purpose of energy diplomacy is to safeguard economic and energy security. Energy diplomacy channels economic and trade relations of a state with other states and organizations safeguarding Energy security through availability, reliability and affordability.

Diplomatic efforts aimed at providing energy security grew in importance and complexity. It matured and spun off from general foreign policy and public diplomacy into a separate diplomatic niche field (Henriksen, 2005), energy diplomacy, mostly after the 1970s oil crises. This diplomatic activity has several other popular names like “geopetroleum politics” (Overland, 2015), or “petro – politics” (Dorraj and Currier, 2011), or pipeline diplomacy (Aalto, 2008), but it mostly covers the same field. Energy diplomacy has developed its own programs, goals, instruments, tactics and action plans, taking rightfully its space in the foreign policy domain. It is especially important for the biggest consumers, Figure 3 showing the level of consumption in total and in relation to population and GDP. One such comprehensive energy policy and energy action plan is developed by the EU, it is the EU Energy Diplomacy Action Plan (EUR-Lex).

¹ It has been argued that there have never been any wars in history over fossil fuels, and a hypothesis put forward that none would be happening in the future. Although we strongly agree with the latter, the need to avoid the military conflicts over resources, the fact that no wars have been fought over fossil fuels historically is extremely disputable (Fettweis, 2009).
Energy diplomacy employs foreign policy methods to ensure a steady flow of energy and security of energy supplies. Energy producing and energy consuming countries apply them differently. Energy producing states mostly focus on using energy diplomacy to expand their exports and presence on the global markets. The example is the energy diplomacy of an exporting state, Russia, who aims to secure access to buyers for oil and gas. It is similar with the energy diplomacy of OPEC, The Organization of the Petroleum Exporting Countries, whose focus is similarly export and keeping external demand. Energy consuming and importing states apply energy diplomacy to secure energy supplies and steady inflow, like China’s oil diplomacy in Africa or more recently, with Iran (Watkins, 2019). There are also hybrid strategies, which are retained by states that are both large consumers and producers; such are India (IAE Atlas of Energy) and the US (Figure 4).

4. INTEGRATION OF ENERGY DIPLOMACY INTO FOREIGN POLICY

Energy risks have been elevated into once inaccessible and restricted realm of high politics, as foreign policy has been called through history. Yet energy security means different things to different states (Yergin, 2006). Considering various modes of integration, it can be argued that both conceptually and historically energy was introduced into national foreign policy generally via two channels, the fields of security and economy. In some states energy found its way through the security policy field, and in others via the economic policy.

The integration via the first channel, security policy, was instigated by the fact that supply and access to energy has become a crucial national security concern for numerous states. Therefore energy issues entered the foreign policy considerations after energy security has ascended on their national security agenda. Despite some scholars arguing that security concept per se should not be too far extended to include topics of such variance outside the its core geopolitical, defense and military realm (Walt, 1991), in realpolitik terms such tendency has taken foothold. It is especially so in the countries which are not energy producers, so their level of dependence is higher and risks bigger (Meierding, 2011). Their energy security is particularly challenged as they depend on the safe and ample supply from energy sources in other countries. Guaranteeing energy security is supported by appropriate energy diplomacy. Energy security was not a center stage subject of interest of diplomats until the states become aware of the exponential growth of energy demand and dependence on import as well as uneven worldwide distribution of resources and raw materials. Oil especially became a novel security concern, as it has historically been a trigger for wars (Buchan, 2012). Some examples are the brutal armed conflict, The Chaco War, between Bolivia and Paraguay in 1932, which was in effect a conflict between the oil companies Royal Dutch Shell who was behind Paraguay and Standard Oil was behind Bolivia; and another example is the Japanese attack on Pearl Harbor in 1941.

The beginning of the 20th century was the early era of energy diplomacy, which was largely marked by corporate players. Such diplomacy was dominated by the corporations that produced and distributed fossil fuel, rather than sovereign governments, as in the case of Royal Dutch Shell and standard oil. National security on a national level as a concept in its own right has not yet been formulated, but the energy issues were increasing in importance. Carving up the
global oil reserves and markets was carried out persistently, alike during the 1908 negotiations between Royal Dutch Shell legendary head Mr. Deterding and the US Standard oil director Mr. Teagle; or on the occasion of signing the US “As-Is” Pool Association agreement in 1928 with the same goal wars (Yergin, 2012). The corporations were competing and racing over privileges, quotas and allocations (Ulduğ et al., 2013). The governments were not too far behind, supporting them and often facilitating the race, but the influential corporations dominantly shaped the industry and foreign policy.

Post World War II era experienced fall of empires, rise of colonies, global shifts in geopolitical influence of UK, US, Russia and others. It is the OPEC that has succeeded in the 1960s and 1970s to gain ground in relation to the international oil corporations (Jaffe, 2009), nationalizing and regaining control over the national fossil fuel resources in several large producing countries. The oil shocks after WWII were the ones that greatly contributed to the growth of security concerns and diplomatic efforts in the energy sphere. The most important occurrences were the Suez Crisis of 1956-1957 (Yergin, 2012) and the OPEC oil embargo of 1973-1974. Whole economies were brought near to a standstill, escalating energy issues as top security concerns. Soon came other disruptions, albeit smaller, caused by the Iranian revolution of 1979, the Iran-Iraq War of 1980 followed by the first Persian Gulf War in 1990-1991. Turbulences on the oil market that disturbed and endangered economies were also caused by the 2003 Iraq invasion, oil price spike of 2007-2008, Russian Ukrainian gas dispute in 2009 (Pirani et al., 2009), and others (Hamilton, 2013) including smaller disruptions. Oil passages are still a global security concern as 40% of all oil transits via four conduits of the straits of Hormuz, Malacca, Rab-el-Mandeb and the Suez Canal.

International Energy Agency, IEA, expects that these quantities will rise from 40% to 60% by 2030 (Buchan, 2012). Any longer interruption would cause another large-scale economic downfall. Therefore energy diplomacy has entered the domain of foreign policy through the national security passageway. Numerous grave national and international risks associated with energy security and energy diplomacy have paved this way and assured that energy is viewed and judged as a security concern, so it acquired all the features of a security issue, and is constantly monitored for level of risk, potential prevention or intervention in the diplomatic field.

Next to the security path, energy concerns have entered foreign policy considerations via another path, the economy. Energy questions are a part of economic policy and consequentially, of economic diplomacy. Economic diplomacy is a wider concept; it is the process of international economic decision-making. Foreign policy draws specifically on economic diplomacy to further its economic interests, among others its energy interests. Those interests originate from country geography, its economics, level of development and international power (Soobramanien, 2011). Economic diplomacy in its own right is a vast area of international policy considerations. It has increasingly become an encumbered concept dealing with an aggregate number of concerns. This led its bifurcation and development of several specialized segments, including energy diplomacy. This is especially so in countries where energy is predominantly an economic issue and an export and market concern. In this context the states have mostly brought energy diplomacy into foreign policy through the economic channel. A valid example is Australia (Downie, 2018), which has in 2018 decided to form a new policy body entitled energy diplomacy. Australia, being by far the largest global exporter of coal, has only been mildly affected by the shifts on the market and geopolitics of energy, so its security risk concerning energy has not been very high.

5. ENERGY DIPLOMACY AND THE ENERGY SECURITY PARADOX

In the complex dynamics of security, foreign policy and energy diplomacy some regions and countries are experiencing the energy security paradox. It is an empirical reality that countries rich with energy sources have a lesser level of risk when energy is concerned. In some cases energy security is at stake, while in other it is the economic security that is experiencing higher risk levels in connection to the energy resources of the country. These risk levels influence their energy diplomacy. Energy diplomacy is generally directed, in resource rich countries, at achieving economic stability, steady production, high prices and demand levels. The security paradox is in the fact that numerous states with an abundance of energy resources, namely fossil fuels like oil and gas, lack energy or economic security, sometimes referred to as a resource curse (Colgan, 2014). Africa is a growing energy producer Figure 5.

Especially sub-Saharan regions are rich with resources, yet they are losing out on the numerous benefits. Energy security is on a low level as the explosion of the raw material findings on the continent is in stark disproportion of how much of it used locally (Meierding, 2011). This exposes the states of the region to both energy and, consequentially, economic risks. A similar state of affairs concerning the energy security paradox has been developing in an oil rich Venezuela (Cunningham, 2019). Due to a complex set of internal institutional imperfections Venezuela has been grappling with its ability to obtain steady production and investment in developing its capacity. This has caused economic, thus diplomatic and geopolitical risks. Iran in the mid 1970’s had the governing structures that have been able to reap the financial benefits of oil exports to the US. Nevertheless, that state of affairs did not result in an improved national economy for all (Cooper, 2011), in fact it created internal economic insecurity. Their energy diplomacy, although strained for various institutional and financial resources (Soobramanien, 2011), was continuously linked to geopolitical issues, while on the national level inequality and economic insecurity was increasing. Nigeria is another example of oil riches not providing (Borok et al., 2013) for full economic security on the national level. Such energy security paradoxes point to the complexity of energy diplomacy, being a tool of foreign policy but also with a close link to national security.

6. ENERGY TRANSITION, ENERGY DIPLOMACY AND THE NEW GEOPOLITICS

Energy diplomacy has been frequently affected by dramatic elements that had a strong impact. Some of which included...
Energy diplomacy is a growing diplomatic field, aimed at providing energy security. The relationship between energy diplomacy, foreign policy and national security is complex and dynamic. Energy has entered the sphere of diplomacy and foreign policy as a result of its rising impact on national security and economy. The ontological hierarchy of the three concepts puts them on different levels, national security being the most general, and energy diplomacy the least, while they intersect throughout their empirical implementation in daily geopolitics and international relations in the energy field. The particular topic of observation is the path of integration of energy diplomacy into foreign policy. It is shown that energy diplomacy has taken two broad entryways on its integration course into foreign policy. Both conceptually and historically energy was introduced into national foreign policy generally via two channels, the fields of security and economy.

In some states energy found its way through the security policy field, and in others via the economic policy. There is a specific nexus of national security, foreign policy, economic security and economic diplomacy that create the energy security paradox. It exemplifies the inconsistences in the general state of affairs in which resource riches of a country result in a stable exporter status and consequentially, stable exporting energy diplomacy. The most impactful change in energy diplomacy has come with energy transition to low carbon. More renewable energy will transform the geography of resources, so the dynamic relationship of geopolitics, national security strategies, foreign policies and energy diplomacy, will change once more, reconfiguring the energy risks in new ways and applying different energy diplomacy strategies.

The recommendation for further research is directed at the relation of energy transition and energy diplomacy. Research could facilitate in understanding or envisaging how new low carbon energy sources coupled with energy efficiency will influence the new geopolitical map, affecting energy diplomacy in the

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2 There were more than 70 revolutions in the period 1945-2004 (Colgan, 2014).

3 Research and policy proposal has been suggested which expands on several dimensions of energy security. It classifies them into twenty components. They are: security of supply and production, dependency, and diversification for availability; price stability, access and equity, decentralization, and low prices for affordability; innovation and research, safety and reliability, resilience, energy efficiency, and investment for technology development; land use, water, climate change, and air pollution for sustainability; and governance, trade, competition, and knowledge for sound regulation. This is followed by a further synthesized list of 320 simple indicators and 52 complex indicators that policymakers can use to monitor performance on energy security (Sovacool and Mukherjee, 2011).
References


