Institutions and Resource Insecurity in Asia

John Ravenhill
Rising demand for minerals and energy is reviving fears in Asia over resource trade disruptions to national security. Growing state intervention in resource markets further contributes to resource security concerns.

Global, regional and bilateral institutions can all alleviate such anxieties by providing confidence-building measures to address market insecurities. Yet, because of fundamental conflicts of interest, international institutions remain poorly institutionalized and rarely go beyond information sharing.

INTRODUCTION

It has long been recognized in Asia that national security encompasses more than traditional balance of power politics. States must also manage external economic vulnerabilities, especially in “strategic” areas such as natural resources.

Due to rapid economic growth in China and India, surging world prices, and increasing concerns over environmental scarcity, resource issues have risen to the top of the international agenda. Recent actions by several producer states to limit exports have also intensified anxieties over resource security, and many consumer governments have announced national strategies to attempt to guarantee their access to foreign supplies.

Consequently, resource interdependence in Asia has become increasingly “securitized” in the last few years. Governments have increasingly intervened to influence international trade in resources, opening up the prospect of resource competition that could undermine the operation of world resource markets.

INTERNATIONAL INSTITUTIONS AND RESOURCE COOPERATION

In the short term, producer and consumer interests vie to capture rents from resource industries. However, resource interdependence is typically a longer-term game, where each party comes to rely on the other for their economic security. Through a repeated process of bargaining, producers and consumers accommodate each other’s interests to support mutually beneficial interdependence. In such a context, international institutions can facilitate international cooperation and ensure that competition does not undermine the operation of world resource markets.

International institutions can play a useful role by providing confidence-building. A range of potential arrangements exist: from weakly institutionalized information exchange mechanisms, through negotiated cooperation initiatives, to deeply institutionalized joint governance institutions. Other things being equal, the more institutionalized the cooperation, the more it is likely to reduce uncertainty. However, the extent of institutionalization – at the global, regional, and bilateral levels – has not progressed far in the institutions that manage resource interdependence.

GLOBAL ARRANGEMENTS

International Energy Agency (IEA): Established after the oil crisis of 1973, the IEA was born from the recognition by industrialized states of their vulnerability to energy supply shocks. What began as a club of oil consumers has since developed into a global energy policy adviser. Today, the IEA is characterized by a comprehensive energy policy agenda and deep patterns of cooperation between its members.

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However, the IEA’s global reach is limited by criteria that restrict membership to countries
of the Organisation for Economic Co-operation and Development. Its only members from Asia are Japan and South Korea, thereby excluding many developing economies in Asia (such as China and India) that are making the largest contributions to recent growth in world energy demand.

World Trade Organization (WTO): Like the IEA, the WTO is a deeply institutionalized international economic regime. However, and despite the fact that WTO rules formally apply to natural resource trade, several rules originally written into the General Agreement on Tariffs and Trade have led to what the WTO itself has described as “regulatory gaps” in its coverage of resource issues. However, because participation in APEC’s resource initiatives occurs on a voluntary basis, it has proven patchy. Member states choose to opt into energy programs, and few concrete instances of policy cooperation have occurred in recent years. APEC has failed to develop its resource cooperation initiatives beyond the stage of information-sharing.

In recent years, some WTO members have sought to tighten its rules for natural resource trade. Yet these efforts have been rebuffed by commodity exporters; the organization’s capacity to effectively regulate world resource trade remains limited.

REGIONAL ARRANGEMENTS

Asia-Pacific Economic Cooperation (APEC): Energy and resource cooperation initiatives have featured prominently on APEC’s agenda since its founding. Annual Energy Ministers’ meetings since 1996 have provided an important forum for discussion of resource issues; APEC also has the advantage of a broad membership that includes all the major resource players in the region.

Like APEC, the voluntary nature of these initiatives has significantly limited their effectiveness. ASEAN’s initiatives have failed to develop beyond information-sharing activities, and while promising to “work closely together” the EAS members have failed to commit to specific joint actions. As a consequence, the resource cooperation initiatives of these fora are more aspirational than concrete.

ASEAN and the East Asia Summit (EAS): The ASEAN grouping and the EAS have also both initiated resource cooperation initiatives in recent years. ASEAN began issuing five-year Action Plans on energy cooperation from 1999 onwards, and in 2007 EAS members agreed upon the Cebu Declaration on East Asian Energy Security.

BILATERAL ARRANGEMENTS

At the bilateral level, both preferential trade...
agreements (PTAs) and bilateral investment treaties (BITs) have provided devices for inter-state resource cooperation. PTAs and BITs have proliferated during a “turn towards bilateralism” in the region during the early 21st century, and regional governments have included resource issues as a priority area for negotiation in both types of agreement.

BITs have provided an important device for facilitating resource cooperation between states. By guaranteeing the rights of foreign investors, and mandating third-party dispute settlement mechanisms, BITs have provided much greater certainty for international resource investment in the region.

PTA initiatives have enjoyed comparatively less success in institutionalizing resource cooperation. While many regional PTAs have included “resource clauses” that commit the parties to policy dialogue, the more “binding” components of these agreements (such as trade and investment policy provisions) typically exclude natural resource sectors from such commitments.

CONCLUSION

Few international institutions currently addressing resource security in Asia do more than collect information and set aspirational targets. They are characterized by a “soft law” approach favoring non-binding principles over deeper patterns of institutionalization.

International institutions for resource security consequently have done little to overcome the problems associated with the competing interests of the region’s main resource players. It may be that soft law institutions are the only type that are acceptable to governments at the current time – but this institutional design has negative consequences for the tasks that they (at least nominally) are charged with accomplishing. ■

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Before joining the ANU in 1990, John Ravenhill was associate professor at the University of Sydney, and assistant professor at the University of Virginia. After holding the Chair of Politics at the University of Edinburgh from 2000, he returned to ANU in 2004. Professor Ravenhill’s articles have appeared in many leading international relations journals, including World Politics and International Organization. His recent books include Middle Power Dreaming: Australia in World Affairs 2006–2010 (Oxford, co-editor, 2011) and Global Political Economy (Oxford, editor, 2011). Professor Ravenhill is a co-investigator of the ANU–MacArthur Asia Security Initiative Partnership.

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