



Deliverable 6.3:

# **Macro-Micro Dialogue Studies (WP6 The Region)**

**Date:** 6 April, 2021



This project has received funding from the European Union's Horizon 2020 Research and Innovation programme under grant agreement N°770562.

# Energy security and cooperation in ASEAN: Resource nationalism and the need of a multi-level analysis

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## 1. Introduction

Energy security is a pressing need in any country. It is even more crucial in vibrant economies, where a continued growing energy demand is propelled by rapid socio-economic development and urbanization. The uninterrupted, secure, affordable, and sustainable supply of energy sources is indeed a source of concern for ASEAN nations. Within CRISEA's Macro-Micro dialogue challenge as applied to a case study of the region, asking questions about energy security leads to putting into perspective the relationship between national priorities and the benefits derived from regional cooperation.

There is indeed a number of objective reasons for states to engage with cooperation and many benefits may stem from multilateral cooperation. The fact that ASEAN member states have long engaged in cooperative mechanisms in the energy field suggests their acknowledgement of how important regional energy cooperation is for states – and the region – to achieve a condition of energy security.

However, this working paper will reveal that there is more rhetoric around energy security and energy cooperation at the macro-level than pragmatic ways of ensuring it in Southeast Asia. Notwithstanding evidence of commitment to institutional cooperation and dialogue around energy issues under the umbrella of ASEAN and achievements during the four decades of energy-related initiatives, progress has been rather slow and the level of cooperation remains insufficient. Against the backdrop of limited regional energy cooperation, this paper aims to understand *why* ASEAN has been unable to deepen cooperation in the energy field. It seeks to explain this by drawing upon the notion of *resource nationalism* (RN).

The puzzle under investigation is the relation between resource nationalism, energy security, and regional energy cooperation. The concept of RN is polysemic, as the existing scholarship confirms. Furthermore, the concept of RN tends to be solely focused on the government (national) level and is oblivious of the subnational forces and influences that determine it. Similarly, although the concept of energy security includes national and regional (systemic) levels, it also tends to neglect the subnational forces (actors, processes, influences) at play. Hence, after first revisiting the existing literature, this working paper subsequently seeks to propose a new analytical framework that helps explain the dynamics behind the lack of regional energy cooperation, bridging the sub-national (micro), national (meso) and regional (macro) levels. This analytical framework will then be tested in three case studies, namely Thailand, Indonesia and Thailand. Insights will be drawn from more than fifty semi-structured interviews conducted in the fieldwork. Also, document analysis from primary and secondary sources contributes to the triangulation of information. The findings from the case studies will inform the concluding remarks.

## 2. The continued primacy of energy security concerns: conceptual framework

There is hardly any other topic provoking anxieties in the economic, political, military and social spheres as energy security. Seemingly, few other concerns have a prevailing position in the broad and complex interaction between domestic politics, foreign policy and international politics.<sup>1</sup> It represents a concern not only because of the anxieties caused by

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<sup>1</sup> David Deese, 'Energy: Economics, Politics and Security', *International Security*, vol. 4, n° 3 (Winter, 1979-1980), p. 141.

the scarcity and volatility of oil prices and the sharply rising demand for gas, but also because of the broad vulnerabilities it presents (terrorism, political turmoil, armed conflict, piracy).<sup>2</sup>

Hence, Deese and Nye's observation in the 1980's that "the problem of energy and security has remained undefined and misunderstood, and nations continue to stand almost blindly hostage to a threat of major proportions" is still of great contemporary relevance.<sup>3</sup>

The first question in point is, therefore, how can we define the concept of energy security? A survey of the extensive literature suggests that most definitions embrace a different mix of the notions of reliability, safety, suitability, affordability, and sustainability of energy.<sup>4</sup> The International Energy Agency, for instance, defines it as "the uninterrupted availability of energy sources at an affordable price".<sup>5</sup> Firstly, it should be noted that the notion of energy security is not static and has had different, contested meanings throughout time.<sup>6</sup> For many decades, energy security would equate to security of supply (which, in turn, is not a synonym of security of energy infrastructures). Only more recently was there a broadening of the concept to encompass the environment. Indeed, the idea of sustainability or environmental stewardship, as designated by Sovacool, brought a whole new dimension to the concept.<sup>7</sup> It is now commonly accepted that the far-reaching environmental and socio-economic consequences of relying on fossil fuels cannot be ignored, which invalidates the mere notion of supply security.

Energy security significance should be understood in the light of this evolution from traditional to non-traditional security concerns in international relations as it fits comfortably in the new chapter of security as being inclusive of a wide variety of threats as well as of many referent objects beyond the state. In the ambit of this alternative approach to the traditional and rigid assessment of security, energy was added as another pressing concern to the extensive array of significant forms of security that capture policy-makers' attention around the world and assumes therefore a new dimension in the security spectrum. As Joseph Romm duly observed, "no single issue demonstrates the interconnectedness of the new security discussions better than energy".<sup>8</sup> Indeed, understanding energy security implies understanding the central importance of energy in all human endeavours, especially in the functioning of modern industrial societies.

This paper we will make use of the understanding of energy security as a condition in which there is an uninterrupted availability of adequate energy supplies acquired at reasonable and affordable prices so that the state may reduce its vulnerability, guarantee a continued social

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<sup>2</sup> Daniel Yergin, 'Ensuring Energy Security', *Foreign Affairs*, vol. 85, n<sup>o</sup>. 2, p. 70 et seq. Although it is true that the debate on energy transition (away from fossil fuels) tends to focus less exclusively on the importance of oil security, it remains true that oil (and gas) still are the main source of concern, in particular in countries where the energy mix relies heavily on these sources of energy. See, for instance,

Simon Jack. "Why oil is still most important price in the world", BBC, 22 April 2020. Available at <https://www.bbc.com/news/business-52382552>

<sup>3</sup> Joseph Nye and David Deese (eds.), *Energy and Security*, Cambridge: Ballinger Publishing Company, 1981, p. xvii.

<sup>4</sup> See, for instance, Benjamin Sovacool, (ed.), *The Routledge Handbook of Energy Security*, New York: Routledge, 2011; Michael T. Klare, "Energy Security", in, Paul D. Williams (ed.), *Security Studies: an Introduction*, London: Routledge, 2008, p. 484; Sasha Muller-Kraner, *Energy Security*. London: Earthscan, 2008, p. xi; Lawrence Saez, *EU-India Nuclear Energy Co-operation: Prospects and Challenges*. ENCARI Briefing paper n<sup>o</sup> 7, p. 6; David A. Deese, "Energy: Economics, Politics and Security", *International Security*, vol. 4, n. 3, 1979-1980, p. 140.

<sup>5</sup> The notion can be found at <https://www.iea.org/areas-of-work/ensuring-energy-security>

<sup>6</sup> Sasha Muller-Kraner, *Energy Security*, London: Earthscan, 2008, p. xi.

<sup>7</sup> Benjamin Sovacool, "Reassessing Energy Security and the Trans-ASEAN Natural Gas Pipeline Network in Southeast Asia", *Pacific Affairs*, vol. 82, n. 3, 2009, pp. 467-486, in particular p. 470, 472.

<sup>8</sup> Joseph Romm, *Defining National Security. The Nonmilitary Aspects*, New York: Council on Foreign Relations Press, 1993, p. 37.

and economic activity, and prevent environmental degradation.<sup>9</sup> We follow the premise that the relationship between energy and security forms one part, an important part, of a broader interaction among domestic politics, foreign policy and international politics. Energy security should be understood as directly and objectively affecting the individual (human security), the state (national security) and relations between states (international security). It is in the intersection of these three levels that energy assumes an unmatched centrality. And it is exactly because of this centrality that analysts and policy-makers see energy as causing geopolitical trends or even the transformation of international relations.<sup>10</sup>

### 3. Energy cooperation in ASEAN: needs *versus* limitations

Over the past two decades, most works on energy concerns have been focusing on the economic growth of East and South Asian economies (namely China and India) and on how this translates into massive increases in demand for energy and alters global energy trade flows. More recently, however, the lights have been over Southeast Asia. If Asia at large is considered the new key driver for global energy demand, it is widely acknowledged that Southeast Asia, the next big growth engine in Asia.<sup>11</sup> In fact, it already plays an important part in the oil demand growth. According to the International Energy Agency (IEA), energy demand in SE Asia is expected to grow at twice the global average; and there are estimates that ASEAN will experience an increase in energy demand of about 50% by 2025.<sup>12</sup> This means that the energy security goal, the goal upon which all other objectives depend, represents a serious concern: it is the key to the economic resilience in which the ASEAN vision 2020 was centered, and it is key to the 'bolder and stronger community' in which the ASEAN Vision 2040 is now based.<sup>13</sup> Notwithstanding, this serious concern is further amplified by the fact that there is insufficient domestic production, high energy and oil intensity consumption, and a serious dependency on fossil fuels (oil, in particular).

Neorealist explanations of energy security policy being driven by the availability of key energy resources have been discussed with specific reference to Asia.<sup>14</sup> Put simply, if Asia's dynamic economic growth produces mushrooming energy demand, which creates energy shortages, the geostrategic insecurity fuelled by shortages exacerbates territorial disputes, which might even erupt into military conflict over control of scarce resources. As Herberg has pointed out, 'energy nationalism' is now becoming predominant in Asia: that is, direct competition between states to control regional energy supplies that leads to a closer integration between energy and strategic relations'.<sup>15</sup> According to this neorealist

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<sup>9</sup> Adapted from Daniel Yergin, "Energy Security in the 1990s", *Foreign Affairs*, 1988, p. 111.

<sup>10</sup> See Michael Wesley, *Energy Security in Asia*, London: Routledge Studies, 2007; and Andreas Wenger et al (eds.), *Energy and the Transformation of International Relations. Toward a New Producer-Consumer Framework*, New York: Oxford Institute for Energy Studies/ Oxford University Press, 2009.

<sup>11</sup> See Sustainable Energy Futures in Southeast Asia: a Report of the CSIS Chair for Southeast Asia Studies and the Energy and National Security Program, December 2012. Available at [http://csis.org/files/publication/121227\\_Bower\\_SustainableEnergy\\_book.pdf](http://csis.org/files/publication/121227_Bower_SustainableEnergy_book.pdf).

<sup>12</sup> IEA. *Southeast Asia Energy Outlook 2019*. Paris: IEA 2019.

<sup>13</sup> ASEAN Vision 2040: Towards a Bolder and Stronger ASEAN Community. Jakarta: Economic Research Institute for ASEAN and East Asia, 2019.

<sup>14</sup> See Michael Klare, *Blood and Oil. How America's Thirst for Petrol is killing us*, London: Hamish Hamilton, 2004; Michael Klare, *Resource Wars. The new Landscape of Global Conflict*, New York: Henry Holt and Company, 2001; Michael Klare, *Rising Powers, Shrinking Planet: The New Geopolitics of Energy*, New York: Henry Holt, 2008; Kenneth S. Deffeyes, *Hubbert's Peak: The Impending Oil Shortage*, Princeton: Princeton University Press, 2001; Jonathan Stern, *The New Economy of Oil: Impacts on Business, Geopolitics and Society*, London: Royal Institute of International Affairs, 2001, among others.

<sup>15</sup> Herberg cited by William Tow, "Strategic Dimensions of energy competition in Asia", in Michael Wesley (ed.), *Energy Security in Asia*, London: Routledge Studies, 2007, pp. 163.

expectation, securing national energy supplies in Southeast Asia would be synonymous with embarking on a battle for resources, causing increased tensions.

Notwithstanding this argumentation, this working paper departs from the opposite assumption. It follows the idea that in face of this challenge, the *need* of guaranteeing an uninterrupted availability of adequate, affordable and sustainable energy supplies (which is, in essence, the conceptualization of energy security), the solution, or at least part of the solution is for states to cooperate, within the region, through institutional mechanisms. This is in line with the literature that sees (energy) cooperation as the best means to address the threats of energy (in)security.<sup>16</sup> Michael Wesley has long recognized that 'Asia's sub-regions are increasingly being integrated with each other' – a new logic of energy security provided by what he calls the 'anti-geopolitics' of the global energy market.<sup>17</sup> He argues: 'The energy trade demonstrates, perhaps more clearly than any other commodity, the growing integration among Asia's sub-regions'.<sup>18</sup>

There are many reasons for institutional cooperation. Although it is not this paper's objective to present an exhaustive list of these reasons, it is useful to recall that institutions associated with energy management appear because of the difficulty of states to individually address the problem of energy supply; because the information-provision function of institutions plays an irrefutable role; and because international institutions also lower rivalry thrust, open the roads for diplomacy and dialogue, and create rules and norms that regulate actors' interactions. In short, they provide multiple functions that positively influence members' behaviour.

To some extent, these reasons partly underline the reason why the 'measurement' of energy security incorporates the cooperation dimension, that is, a state energy security situation is improved when there is commitment to international cooperation on energy-related issues.<sup>19</sup>

Hence, at this point of this working paper, it is important to understand whether this is the predominant view in ASEAN, whether energy security cooperation is seen as a kind of solution to the energy security requisite and to what extent it has been successful.

First and foremost, it has to be made clear that states do attribute importance to it. ASEAN countries reckon that they *need* to cooperate and they have been formally expressing that over the past more than four decades. The first moment was the creation of the ASEAN Council on Petroleum (ASCOPE) in 1975 – it was created with the main objective of supporting ASEAN Member Countries increase their capabilities in all aspects and phases of the petroleum industry, and to serve as an instrument of regional cooperation on petroleum and energy matters among Member Countries. After that, Energy cooperation has been continuously discussed (since the early 1980s within the ASEAN Ministers on Energy Meeting (AMEM) and there are many examples of these cooperative attitudes.

Clearly, it is important to highlight the fact that ASEAN has in place distinctive cooperative mechanisms centred on energy, which is clear evidence that states in the region believe they can benefit from cooperating in order to achieve energy security. In other words, the understanding that ASEAN energy cooperation is vital to achieve energy security is there.

On the other hand, however, this does not preclude from the fact that the cooperative examples are still largely insufficient. Notwithstanding evidence of commitment to institutional cooperation around energy issues under the umbrella of ASEAN, and despite all achievements, the fact remains that the progress has been very slow during the four decades

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<sup>16</sup> See, for instance, *Emerging Global Energy Security Risks*, New York and Geneva, United Nations Economic Commission for Europe, n<sup>o</sup>. 36, 2007.

<sup>17</sup> Michael Wesley, "The Geopolitics of Energy Security in Asia", *Energy Security in Asia*, p.1-12.

<sup>18</sup> *Idem*, p.2.

<sup>19</sup> See Vlado Vivoda, "Resource Nationalism, Bargaining and International Oil Companies: Challenges and Change in the New Millennium", *New Political Economy*, Vol. 14, n<sup>o</sup> 4

of energy-related initiatives, and the level of cooperation remains, in many levels, still inconsequential.

Several illustrations of this argument can be presented. To start with, the analysis of the chronology of ASEAN energy cooperation is a useful exercise to unveil the considerable time gaps between the narrative and the actual commitments. For example, although the AESCOPE was created in 1975, the first ASEAN energy cooperation agreements - the *Agreement on the ASEAN energy cooperation* and the *ASEAN Petroleum Security Agreement (APSA)* - were only signed in Manila in 1986, and the ratification process of this agreement by all states was only concluded in 2012, when Indonesia finally ratified, almost three decades after signing the first agreement in 1986. Then, another relevant step towards energy cooperation was taken in 1999 with the creation of the ASEAN Centre for Energy (ACE).

Also, the analysis of the trans-ASEAN Energy Network - comprising of the ASEAN Power Grid (APG) and the Trans-ASEAN Gas Pipeline (TAGP) - is very illustrative of the gap between rhetoric and reality. These are the two landmark projects, put forward with the vision of reducing vulnerability and democratising the use of energy and reducing economic and social gaps. However, the reality includes constant difficulties associated with the continuous postponement of some of APG's projects. According to the Economic Research Institute for ASEAN and East Asia (ERIA), one of the reasons behind the continuous postponement of some of APG's projects lies in the lack of economic viability of some interconnection systems, and essentially in the fact that "there is no clear vision about whether the APG should be an integrated and harmonised ASEAN single grid or a few heterogeneous national grids linked by an ASEAN region-wide backbone power grid."<sup>20</sup> Indeed, the idea that the APG is based on a few bilateral or even multilateral interconnection power grids rather than on a regional enterprise has been a recurring criticism. Similarly, although the major prerequisite to the APG lies in the harmonization of regulations and in finding a common regulatory framework, this prerequisite is also the major barrier in moving towards the APG. Indeed, there are many challenges to overcome, spanning from the harmonization of common technical standards codes or guidelines in the areas of planning and design, system operation and maintenance; harmonization of legal and regulatory framework for bilateral and cross-border power interconnection and trade; formulation of institutional and contractual arrangements for cross-border electricity trade to include taxation, tariff and third party access; identification and recommendation of financing modalities for realizing the APG; functional area knowledge (skills, experiences); high penetration of intermittent renewable energy sources; fuel subsidies (price distortion); national policy; cooperation among ASEAN energy agencies such as HAPUA, ASCOPE, AFOC.<sup>21</sup>

On the other hand, ASEAN Ministers have been discussing the TAGP project for the last three decades. Perhaps no single project is more emblematic of the region's view of energy security and policy than this pipeline network project aiming to integrate ASEAN's gas fields and consumption centres. The pipeline would connect the natural gas pipelines of member nations and could provide the physical infrastructure for a single market for natural gas. The

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<sup>20</sup> Xunpeng Shi and Cecilya Malik, "Assessment of ASEAN Energy Cooperation within the ASEAN Economic Community" (ERIA Discussion Paper Series), December 2013, p. 13-14.

In December 2013, ERIA (Economic Research Institute for ASEAN and East Asia) published a paper on "Assessment of ASEAN Energy Cooperation within the ASEAN Economic Community" (ERIA Discussion Paper Series) by Xunpeng Shi and Cecilya Malik. This paper's methodology was based on the creation of an original scorecard to score each Project/activity of the APAEC 2010-15 in the aim of quantifying the gaps between the current status and the targets set. The final result for each programme evaluation is within a band of 0-5, with '5' (five) representing full achievement of the targets set and '0' (zero) representing no change – see pp. 4-7.

<sup>21</sup> MoU on the APG, and Kornphat Srisuping, "ASEAN Power Grid", *Expert Group Meeting on Conceptualizing the Asian Energy HighWay* (3-5 September 2013).

ultimate objective of an extensive ASEAN-wide gas pipeline network is to assure long-term regional energy security by linking existing pipeline networks and therefore reducing vulnerability.

However, the uncertainties concerning the completion of the TAGP project derive from the serious challenges and difficulties it faces. Broadly, one could point out technical, legal, political, social, and environmental challenges to surmount.<sup>22</sup> It must be noted that the existing cross-border pipelines form part of the Trans ASEAN Gas Pipeline, but are bilateral in nature, as ASCOPE duly notes.<sup>23</sup> Because they were undertaken on a bilateral basis, the TAGP vision of an integrated system will have to dwell with harmonisation. Governments and other industry players have to agree on a wide array of technical specifications, on regulations on health, safety, the environment, company formation, transit principles, open access or third-party access, taxes, tariff setting, and so on. A solid platform for regulators/governments to collaborate in addressing regulatory issues to facilitate the harmonization of all and gas market (and power market) structures in ASEAN is of utmost importance. However, a note of pessimism is included in the idea that “it takes two years to connect energy resources within an Asian country, ten years to connect resources between two countries and a ‘miracle’ to create a multi-cross-country network of distribution involving more than two countries”.<sup>24</sup>

All in all, these continued impediments allow for the assumption that states are not ascribing full priority (or at least the priority needed) to energy security cooperation through ASEAN.

#### **4. Resource nationalism: the explanatory variable?**

Unveiling the limits of regional energy cooperation represents a paradox. There are regional policies and apparent commitment, however, this commitment to energy security cooperation through ASEAN has been more rhetoric than pragmatic. There are several structural and agency, external and domestic possible explanations to justify the shortcomings of energy security cooperation in the region. Few studies offer integrated explanations as to why states have failed to fully cooperate. Often, studies pinpoint financial constraints, technical constraints, and difficulties in the national regulatory frameworks as reasons to hinder cooperative initiatives.<sup>25</sup> However, these do not seem to fully grasp the picture, which compelled this research to focus on different, more systemic variables.

As suggested above, this century has brought about the resurgence of energy/ resource nationalism. Theoretically, this concept entails direct competition between states (namely through national oil companies, NOCs) to control regional energy supplies that leads to a closer integration between energy and strategic relations.<sup>26</sup> According to this expectation, securing national energy security in Southeast Asia would not be synonymous with cooperation but rather with embarking on conflict. Theoretically, as it increases rivalry, resource nationalism can ultimately lead to conflict, because in essence NOCs are supposed

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<sup>22</sup> For a comprehensive analysis of the challenges and prospects of the TAGP, see Benjamin Sovacool, “Energy policy and cooperation in Southeast Asia: the history, challenges, and implications of the trans-ASEAN gas pipeline (TAGP) network”, *Energy Policy* 37 (2009), pp. 2356-2367.

<sup>23</sup> ASCOPE (ASEAN Council on Petroleum). To date, 13 bilateral connections have already been established with a total of 3,631 kilometers of pipeline connections See <http://www.asclope.org/Projects/Detail/1060>

<sup>24</sup> Schenk *apud* Benjamin Sovacool, *op. cit.*, p. 2356.

<sup>25</sup> A few examples: Xunpeng Shi and Cecilya Malik, “Assessment of ASEAN Energy Cooperation within the ASEAN Economic Community” (ERIA Discussion Paper Series), December 2013; and Benjamin Sovacool, “Energy policy and Cooperation in Southeast Asia: the history, challenges, and implications of the trans-ASEAN gas pipeline (TAGP) network”, *Energy Policy*, 37, 2009, pp. 2356-2367.

<sup>26</sup> Herberg cited by William Tow, “Strategic Dimensions of energy competition in Asia”, in Michael Wesley (ed.), *Energy Security in Asia*, London: Routledge Studies, 2007, pp. 163.

to pursue the country's national interest. In this sense, resource nationalism attitudes would explain the limits of regional cooperation. However, although this contradiction between nationalism, on the one hand, and multilateral cooperation, on the other, may seem fairly intuitive, it remains to be demonstrated concerning the energy sector in the Southeast Asian context. In order to establish a connection between resource nationalism and energy cooperation, it is useful to briefly review the existing debate on this topic by looking at what *is* and what *embodies* RN. Afterwards, acknowledging the fact that RN can actually take various forms, a new analytical framework will be proposed to better illustrate the energy cooperation in this region.

#### 4.1. Resource Nationalism - A Polysemic Concept

A brief overview of the literature concerning resource nationalism (RN) suffices to unveil a few definitional difficulties.<sup>27</sup> This section will therefore embark on an attempt to clarify the issue by unpacking the different types of resource nationalism, the reason(s) afoot such a practice, the agent(s) involved, the history and future prospects. This will serve to unveil conceptions and misconceptions around the topic.

Firstly, one may think that resource nationalism solely refers to a 'sentiment' (translated into policy) according to which the natural resources 'inside' a country should be explored by the nation and for the nation. This statement is only partially accurate for the label 'resource nationalism' can also be applied to the exploration of resources in an external environment, i.e., beyond the nation's borders. Also, the *a priori* idea that the exploration of resources in these cases is closely tied to a state-owned company, typically a national oil company (NOC), might be misleading for three distinct reasons: i) a country may pursue resource nationalism through means other than a NOC; ii) some national companies are not entirely *national* in the sense that they are in fact partially 'owned' by private interests; and iii) national oil companies do not necessarily only focus on oil – gas is often included in their portfolio.

Secondly, the distinctive nature of energy nationalism conducted in energy-producing countries and energy-importing countries should be highlighted because although they are both under the same umbrella, they have different underlying tenets. In this sense, while the former has been described as a "concept in which the natural resources in the ground or under the sea are the property of the nation rather than of a firm or individual who owns the surface area [and that], consequently, should be used for the benefit of the nation rather than for private gain";<sup>28</sup> the latter refers more precisely to a "situation in which governments seek assertively to obtain and protect energy supplies, employing tactics ranging from augmented diplomatic and financial support for acquiring oil and gas reserves to using military posturing and action to secure resource deposits and protect supply lines such as sea lanes".<sup>29</sup>

All considered, it is possible to associate resource nationalism to a tendency to reserve the access to energy sources to national entities. When speaking of resource nationalistic attitudes, one normally refers to a situation in which a government controls the energy sector, most notably through the support of its national oil company. However, as suggested, RN

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<sup>27</sup> Most of the literature concerning resource nationalism typically focuses on Latin America and Russia. The growing part of the literature analysing this practice in Asia almost exclusively focuses on China and India - Southeast Asia seldom is at the core of these studies. There is, however, extensive political economy literature emphasizing the role of the National Oil Companies vis-à-vis that of the International Oil Companies. This literature therefore primarily focuses on the oil and gas sectors. This chapter will follow this trend.

<sup>28</sup> David Mares, *Resource Nationalism and Energy Security in Latin America: Implications for Global Oil Supplies*, Working paper, James A. Baker III Institute for Public Policy, Rice University, January 2010, p. 6.

<sup>29</sup> Gabe Collins and Andrew Erickson, "Energy Nationalism goes to Sea in Asia", in Collins *et al*, *Asia's Rising Energy and Resource Nationalism. Implications for the United States, China and the Asia-Pacific Region*. USA: The National Bureau of Asian Research, 2011, p. 17.

has many forms, many 'grades', and the use of a NOC need not be the sole manifestation/instrument. Resource nationalism may indeed refer to a situation where there is no state-owned enterprise (SOE), but where nationalism is exerted through assorted forms of taxation, ranging from royalty/tax system terms to production sharing agreements (PSAs) to risk service agreements - from the most favourable to the least favourable to multinational companies (MNCs).<sup>30</sup>

Undeniably, as dependence on imported oil and gas accentuates energy security concerns across the globe, in Asia in particular, we now witness the novel reality of a resource nationalism approach that is concerned with exploring and producing energy both at home and abroad. Thus, the division between energy-producer and energy-importing countries has also been blurred, which also reflects the surfacing of a third category of energy producing and importing countries.

Also, contrarily to popular belief, it must be noted that RN is not exclusive to developing/emerging economies - it is rampant in some of the OECD countries. In this context, Bremmer and Johnston remind us that there are different types of RN (revolutionary, economic, legacy, soft),<sup>31</sup> depending on the factors that drive it and the impact they have on the natural resources sector (mainly oil and gas).

Whether energy nationalism is a rising or declining trend is a question that does not collect unanimous responses, though. In Collins *et al* report, it is recognised that although energy nationalism is rising in Asia, it is declining among the industrialised western countries, and the working premise is that resource nationalism is falling, not rising.<sup>32</sup> Vivoda, differently, contends that 'resource nationalism is back at the forefront of relations between host governments and IOCs',<sup>33</sup> and Hughes and Kreyling concur.<sup>34</sup> Tordo, Tracy and Arfaa, in turn, conclude that this new millennium is witnessing the concurrence of these two opposing trends.<sup>35</sup> Southeast Asia, however, is a region populated with countries following resource nationalism practices.

#### **4.2. Resource nationalism and energy security**

Before focusing on the relation between resource nationalism and energy cooperation, the investigative path required the exploration of the correlation between resource nationalism and energy security, which is not linear. The assumption that state control over supplies in fact provides greater energy security is highly dubious, as the political economy literature confirms. However, it remains true that most countries' resource nationalistic policies are indeed adopted on behalf of an energy security discourse – notwithstanding several possible endogenous and exogenous drivers to RN, it is commonly framed in terms of ensuring energy security. Therefore, it can be argued that the adoption of such policies may or may not conceal goals other than purely increasing the energy security situation.

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<sup>30</sup> See Mares, *op. cit.*

In other words, country examples that have NOCs represent some degree of resource nationalism; but not all nationalism implies the existence of a NOC.

<sup>31</sup> Ian Bremmer & Robert Johnston, "The Rise and Fall of Resource Nationalism", *Survival: Global Politics and Strategy*, Vol. 51, no. 2, pp 150-152.

<sup>32</sup> Llewelyn Hughes, "Resource Nationalism in the Asia-Pacific: why does it Matter?", in Collins *et al*, *op. cit.*, pp. 4 and 9-10.

<sup>33</sup> See Vlado Vivoda, "Resource Nationalism, Bargaining and International Oil Companies: Challenges and Change in the New Millenium", *New Political Economy*, Vol. 14, n° 4, p. 522.

<sup>34</sup> See Llewelyn Hughes and Sean Kreyling, "Understanding Resource Nationalism in the 21<sup>st</sup> Century", *Journal of Energy Security*, IAGS, July 2010.

<sup>35</sup> See Silvana Tordo, Brandon S. Tracy, and Noora Arfaa, *World Bank Working Papers: National Oil Companies and Value Creation*, Herndon: World Bank Publications, 2011, p.21.

Furthermore, the idea that energy cooperation enhances the prospects of any energy security equation is acknowledged by virtually all – energy governance institutions and national governments alike. Cooperative arrangements also allegedly pursue the purpose of increasing states' energy security.

In this context, it is reasonable to admit two scenarios: a) RN and regional energy cooperation are intrinsically contradictory, meaning that when countries follow resource nationalism strategies, they will be less inclined to further commit to cooperative arrangements, which ultimately explains the limits of energy cooperation; and b) RN and energy cooperation are not contradictory and can indeed be overlapping situations. Indeed, on a purely theoretical basis, we can admit this possibility: in cases where energy security is the true leitmotif, states can opt for the path of resource nationalism and regional energy cooperation. Why? Because regional cooperation not only reduces vulnerability but also offers states an added platform to jointly manage energy risks, decreasing the impetus for competition, and therefore increasing their energy security situations.

Due to the inconsistencies within the existing academic debate over RN, a new analytical framework is needed to discern the relation between RN and energy cooperation.

#### **4.3. A new framework of analysis: unveiling the prospects for regional cooperation through resource nationalism**

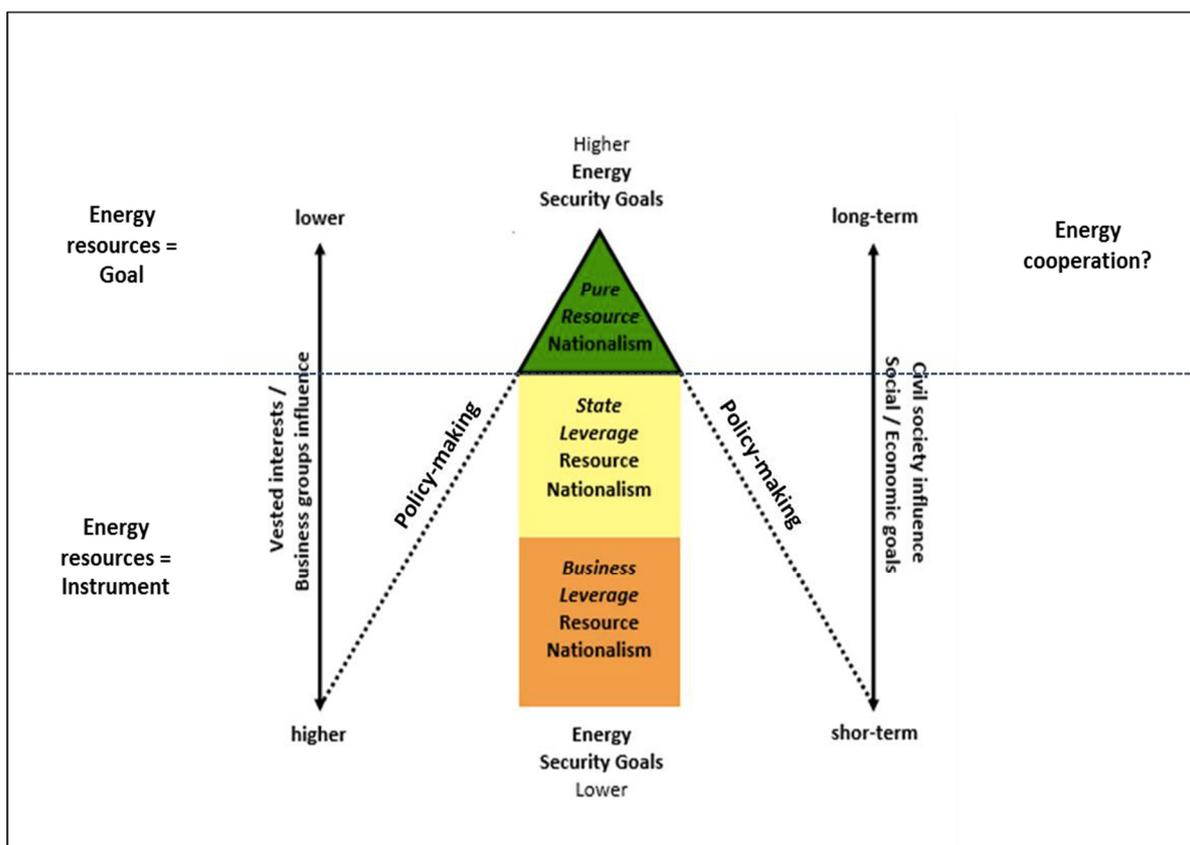
It therefore becomes clear that, in order to understand the dynamics afoot the intertwining of these concepts, more attentiveness should be granted to the policy-making process, more specifically to the influences exerted on who decides. Theoretically, policymakers decide on the strategy to pursue the national interest objectives – their preference of one formula over another is certainly the product of objective reasoning; but also of subjective perceptions, including the political setting in which several actors and influences play a role. In other words, policies are the outcome of the interplay between several factors and actors that weight upon policymakers' choices, as explained earlier in this dissertation. All these elements need to be taken into account.

Put simply, the present effort to develop a new framework of analysis departs from the assumption that resource nationalism policies cannot be fully understood without a grasp of the influencing stakeholders in policymaking. Also, it departs from two other aprioristic ideas: a) most studies are bound to present RN as the outcome of the bargaining power between business groups (most notably MNCs) and the government, which greatly varies across time; b) although insufficiently patent in the literature, civil society at large represents an important stakeholder in energy policy-making not least because it is the 'destination' of such policies.

We have enlightened the fact that, despite the doubtful relationship between resource nationalism and greater energy security, the latter is the ultimate justification for the former. We have also suggested that various drivers play a part in policymaking, and that rent distribution concerns loom large in the process. Indeed, while we often tend to assume that there is greater national security aspirations associated with state intervention in energy markets, in reality, more often than not, energy resources are frequently *instrumentalised* in policy-making under the energy security guise to conceal other interests at play.

Hence, this reasoning culminated in a new framework of analysis, inclusive of the dynamics that actors – and interests – play in the energy security policy-making process.

The Figure below offers an illustrative image of the conflicting/collaborative forces at play in the formulation of policies that may lead to resource nationalism and their relationship with energy security, if any.



At first sight, it becomes clear that there are different combinations of forces (influences), which help produce different degrees of resource nationalism, converging with or diverging from energy security goals. Put in another perspective, diverse ‘*instrumentalisation*’ levels of the energy resources discourse can also alter the bargaining power between actors.

Also, it is assumed that each actor plays different roles, and that each role may be performed to different degrees. In other words, the framework was constructed around the following premises:

- Policymakers formally act on behalf of the nation’s interest but they do not always prioritise national interest in their decisions; and the energy policy they dictate is immune to other influences;
- It is also assumed that the formal or informal participation of private business groups in the policy-making process is a given and that their interests are more often than not opposed to the state’s, that is, there are competitive interests at stake, which explains the bargaining of power;
- On the other hand, although the participation of civil society<sup>36</sup> in the energy policymaking is not as patent as firms’, it is believed that their interests coincide with the national interest, when the national interest is energy security, in this particular

<sup>36</sup> For methodological reasons and for the purpose of this research, we shall adopt the analytical model of civil society, in which we broadly comprise all non-state and non-market forms of organisation. It is understood that economic organisations such as pressure groups seeking to protect sectional economic interests can also be part of an enlarged way of viewing civil society; nonetheless, given the nature of the present research, these particular groups will be treated individually. In other words, civil society will be analysed as the ‘third sector’.

case. In other words, civil society may also be conflictive toward the state if the state does not pursue the interests of society.

Despite empirical evidence contradicting the relationship between resource nationalism and energy security, this analysis departs from such possibility.

**‘Pure’ resource nationalism** therefore implies that the state pursues nothing but the national interest (energy security) and that business groups do not influence policy. Pursuance of the national interest coincides with civil society’s aim. This level also represents a situation in which civil society played its role in ensuring transparency and the prevalence of national interests by holding the executive accountable, in short, ensuring ‘good resource governance’. ‘Pure’ resource nationalism would therefore suggest that the policy-making process is absolutely state-centred, focused on national energy security goals, and also impermeable as there is no bargaining power in the private business side. This is not to say that IOCs, for example, are excluded from a NOC exclusive energy management; however, there is no bargaining and companies comply with the rules. In countries characterised by pure RN, policies are aimed at reducing energy vulnerability by focusing on both the demand and supply side, in short, aimed at achieving energy independence as much as possible, which coincides with society’s interest. Energy resources are viewed as central to the country’s economy, and so, they are viewed as the ultimate goal. As such, and because it is widely acknowledged that energy cooperation improves a country’s energy security, the country may be more inclined to cooperate.

In a **State leverage resource nationalism** situation, although there is a degree of influence exerted from firms, it comes consented by policymakers, who still hold an edge in the bargaining. Along with pursuing energy security goals, policymakers may want to answer different concerns, and so, use business groups for those purposes. To some extent, the interests may be cooperative. The energy vulnerability discourse may be used but as a justification more than an actual objective. Put differently, there is bargaining between NOCs, IOCs and CSOs in a vibrant process, where interests may be competitive or cooperative notwithstanding the state’s negotiating edge. In such a process, regional cooperation is accepted and widely recognised as beneficial but may not be high in terms of national priorities.

In the case of **Business leverage resource nationalism**, States’ bargaining power is substantially lower when they are forced to negotiate with firms to achieve the envisioned outcome, compared with the case of state leverage resource nationalism. This is perhaps the turning point in bargaining power between states and firms because policymakers are forced to negotiate with business groups, which pursue antagonistic goals. Here, there is a clear subordination of the national interest goal to other interests.

However, this subordination of the national interest goal to other interests may also present another facet: instead (or in parallel) to bargaining with firms, policymakers, who are still the agents who *de facto* produce policies, who can still control the process, may formulate policies to protect vested interests with goals such as profit and rent-seeking. In both cases, however, there is always some kind of ‘business’ and interests’ interference (be it firms or elites’), which will always compete with the goal of energy security. Also, the justifying rhetoric frequently gravitates around the nationalistic sentiment towards energy resources, although it often conceals other motives such as maximisation of rent capture. Here, given that the outcome is not aligned with the state’s national energy security interest, regardless of rhetoric, civil society not only has competitive interests but also may have a very limited role to play. Therefore, cooperation prospects are inevitably dim.

## 5. Case Studies: Resource Nationalism in Indonesia, Thailand and Malaysia

### 5.1. In Indonesia

This section focuses on Indonesia as a case study for business / vested interests leverage resource nationalism. In light of the framework of analysis presented in the previous chapter, it is observed that in Indonesia the prospects for energy cooperation are quite dim. This is not attributable, however, to the country pursuing resource nationalistic policies. Rather, it is because energy / resource nationalism is primarily used as discourse to conceal objectives other than energy security.

#### 5.1.1. Energy policy background

Despite its abundant natural resources, the rising energy demand in Indonesia, “combined with slowing oil and gas production, threatens to undermine the energy sector’s capacity to support domestic economic growth and poses serious challenges to Indonesia’s role as an important energy exporter to the region” (Gillispie 2015: 3). Reliance on oil is particularly worrisome as national oil production is bound to decline, prompting the country to a growing dependency on imported oil. Imports to Indonesia have increased by 50.7% in the ten years since 2002, filling the gap between growing demand for oil and falling production (IEA 2015: 21). It becomes clear that the continuation of the country’s economic growth will depend on its ability to deliver a steady supply of energy to markets and ultimately to consumers. In other words, it depends on whether meeting demand growth is the key pillar of its economic and investment policies and strategies.

The first legal reference to the relationship between the government and the country’s natural resources dates back to the implementation of the *Republik Indonesia*. The Article 33 (n.3) of the Constitution states that “[t]he land, the waters and the natural resources therein are basic assets for the people’s prosperity and should, therefore, be controlled by the state and exploited to the greatest benefit of the people”. This precept, however, was not fully implemented until 1960 when the Oil and Gas Law was enacted (Law n<sup>o</sup>. 44 of 1960). Such a formulation corresponds to most definitions of RN: the state, on behalf of the people, holds the right to explore these resources, in a more or less direct manner – through state or private enterprises, provided there is an arrangement for joint operation. This is the rationale for the system of production sharing contracts (PSC), which correspond to the majority of contractual arrangements between oil and gas companies and the government.

In terms of the SOE, law No. 8 of 1971 positioned Pertamina (*Perusahaan Pertambangan Minyak dan Gas Bumi Negara*) as “the only state-owned enterprise tasked with managing the oil and gas business”. However, due to its inability to address corruption and inefficiency problems, the Oil and Gas Law No. 22/2001 deprived Pertamina of its role as regulator and placed it in a similar position to any other oil and gas company in Indonesia. It henceforth lost its monopoly in exploration, production, refining and retail.

#### 5.1.2. Business / vested interests resource nationalism in Indonesia

Considering that resource nationalism in Indonesia reflects the assertion of a greater national control over natural resource development, and that this control implies limiting the operations of private IOCs, it would be reasonable to assume that energy-related business groups would have limited, if any, influence in energy policymaking. And yet, it is observed that business groups, and energy-related business groups in particular, remain powerful in influencing stakeholders.

During fieldwork, with the purpose of understanding the dynamics underpinning government-business groups’ relations, a question on business groups’ *direct* involvement in the policymaking process was posed. Out of 22 interviewees from all sectors, only five responded negatively. The majority of the remaining answers, however, underlined the difference between small and big companies, suggesting that only the big players can and do affect the

policy-making process. Among them, one of the respondents, a high-level member of the Foreign Affairs Ministry, stated that there are formal and frequent contacts and that, accordingly, the kind of relationship with the Indonesian government depends on the origin (nationality) of the companies, that is, on whether that country has or not a strategic relationship with Indonesia. Also, it was recognised that the President still receives CEOs, although only the *big ones* can influence policy. Furthermore, it was claimed that the energy vulnerability of the country was a by-product of short-term visions: on the one hand, domestic needs have to be satisfied; on the other hand, corporate foreign interests have to be accommodated. As for the reason for the emergence of these *prima facie* restrictive policies, one interviewee from a large oil and gas company pinpointed that it was a *populist* move, despite that people have no notion of what energy security is, except for the idea that it is Indonesia's 'cash cow'.

Although the growing nationalistic trend contained in last decade's legislation appears to grant more leverage to the state, nonetheless, these new regulations were backed by politico-business elites who saw their opportunity for self-enrichment. Buehler (2012: para. 8) noted that "politically well-connected economic interests are often behind new regulations and the arbitrary application of legal documents".

### 5.1.3. Prospect for regional energy cooperation

The addition of the possibility of regional cooperation in energy-related matters further complicates the scenario. According to one interviewee, Indonesia would be most likely to continue its own *housekeeping*, which distracts policymakers and puts off the goal of advancing strategies to improve the country energy security equation, namely through regional cooperation. Given that the government underperforms in terms of infrastructures, human resources, research and development, there is need for better formulated energy policies that allow for foreign investment, particularly in the oil and gas sector, which is "the least ideal industry for grave policy mistakes, given its significant contribution to state revenues and export earnings", because "[i]f not, then key oil reserves will go unexplored, oil exploration targets will go unmet, the trade deficit from oil imports will widen and budget revenue from oil and gas will slump further, affecting potentially the entire Indonesian population" (Chen 2014). The prioritization of short-term economic interests marginalizes other ways to attain energy security, including through regional cooperation. Across sectors in Indonesia, interviewees remained rather skeptical about enhancing energy security through regional cooperation. Hence, the prospect for a larger role played by Indonesia in regional energy cooperation seems distant.

## 5.2. In Thailand

This section explores Thailand as a case study for state-leverage resource nationalism. Here, there is a vivid interplay of actors and influences in the policy-making process. This is a case of state-leverage for 4 reasons: a) there is consistency of energy policies despite recurring political turmoil; b) there is a clear drive towards pursuing energy security goals; c) policymakers will retain an edge in the bargaining with business groups; and d) there is a strong presence of civil society.

### 5.2.1. Energy policy background

Thailand is a net importer of both oil and gas (Energy Information Administration 2017), and the government aims to achieve some energy security through petroleum exploration and energy efficiency and diversification, an endeavour in which the participation of the private sector is welcomed. In face of higher domestic demand, there were visible results to this policy, as oil and gas production slightly increased in 2012 and 2013.

Within an attempt to diversify the energy mix and to reduce its reliance on oil, Thailand has worked towards its replacement mostly by natural gas. Meanwhile, Thailand has launched the 10-year Alternative Energy Development Plan (2012-2021) in a bid to promote alternative energy usage. Here, the role of the private sector is perceived as necessary and also desirable in improving technology related to efficiency, safety, reliability, while tackling environmental issues and shortages of skilled personnel. Moreover, companies that engage in petroleum exploration and production in Thailand are governed by two principal laws: the Petroleum Law and the Petroleum Income Tax Act (PITA). Since they are not regulated under the Foreign Business Act, they can be wholly owned by a foreigner without obtaining a business license from the Ministry of Commerce, which is a facilitating and attractive feature for foreign companies. Based on all this, Thailand is perceived to have in place a rather investment-friendly environment. In 2018, the World Bank ranked Thailand 27th out 189 countries on the ease of doing business.

When it comes to the Thai SOE, the Petroleum Authority of Thailand (PTT) is the country's NOC. Established in 1978, it underwent a partial privatization in 2001, thus becoming PTT Public Company Limited. The total government ownership is 66% with 51.1% by the Ministry of Finance and 12.4% held by the state-controlled Vayupak Fund I as of 7 March 2018. Interviewees have suggested that although there is a conflict between PTT business and what the government wants, the government often influences more. In practice, PTT still has a pivotal position in the oil and gas sector.

#### 5.2.2. State leverage resource nationalism in Thailand

In general, Thailand exhibits a soft kind of resource nationalism. Despite that PTT is the largest producer of oil and natural gas, Thailand has promoted a friendly investment environment. The prevailing messages conveyed during fieldwork in regard to policy-making stakeholders and their influence are based on the interconnected ideas of consultation, influence / influential relationship and frequent contacts between the state and the private sector.

Thus, another question ensues: If the participation of the private sector is very welcomed, who has more bargaining power in this relationship? Drawing upon information gathered during fieldwork and on the difficult and yet positive direction in which the energy security challenge is heading in Thailand, it is posited that despite frequent contacts and influential relationship between the government and private companies, the government still has leverage in this relationship.

While it is true that private companies have an important role to play in the nation's energy sector, it is also true that it was the government that accepts or even promotes such participation. Undeniably, it was the government that put in place a very clear strategy aimed at reducing its energy vulnerabilities. This strategy precluded the need to *use* the private sector to assist the government in pursuing national interests' objectives and, with it, several measures were implemented in order to catch private businesses' (domestic and foreign alike) interest. This is the reason why public and private interests collide: they are not antagonistic, even though it is the government paving the way of this relationship. Thailand's energy policy is driven by the non-availability of energy resources, which means that meeting domestic needs is the principal priority. In this light, it is intelligible that political change and turmoil have had little impact on policies, including oil and gas production. As noted by Thabchumpon (2011: 127), Thailand's "economic and social policy has been continually driven by the need for industrial development".

A distinct feature of the energy policymaking dynamics is the large influence exerted by CSOs. What is more, the government promotes several platforms for civil society to participate in policymaking, which leads to the idea of a state-led civil society (Ibid.). It is observed that "Thai civil society is used by elite reformers to engender a new public and

individual morality around the neoliberal state” and that “there is no equal power distribution among the members of civil society” (Ibid: 131). The CSOs have been playing such a significant role that two of the business groups’ employees interviewed even established a connection between higher civil society participation versus reduced business groups’ role. The wide consultation with the CSOs which, in the energy and environmental issues, may run in opposition with the energy business groups’ interests, may enhance their leverage over the latter which emphasizes more on the short-term interests.

In sum, Thailand may well embody a case of state-leverage resource nationalism. In light of the proposed framework of analysis, this category represents a ‘middle ground’ in terms of resource nationalism. Although it heavily relies on the role of the private sector to attain its economic and social goals, the state still wields leverage in the bargaining as it still controls the strategy.

### 5.2.3. Prospect for regional energy cooperation

The Thai government has implemented a number of measures geared towards various groups in order to raise awareness for the ASEAN Community. Following the economic rationale argument, it is logical that, in order to advance Thailand’s competitiveness in the international economy, Thailand seeks to deepen relations, both multilateral and bilateral, that warrant higher security in the energy field. According to Busbarat (2012: 153), “Thailand considers its leading position as a catalyst for change in regional affairs [...] or as a ‘bridge’ between various levels of regional cooperation”. In fact, Thailand (along with Malaysia) was found to be one of the most salient countries where there is an orientation toward the region and other countries (Thompson & Thianthai 2008). Overall, the interviewees have transmitted the idea that Thailand would like to cooperate in a regional context and bolster the role of ASEAN in this regard.

## 5.3. Malaysia

By focusing on Malaysia, this section puts the category of ‘pure’ resource nationalism to the test. Pure resource nationalism is understood as a situation truly aimed at pursuing energy security goals; a situation which coincides with society’s interest, where little or no bargaining power exists in the private business side. Because there is a real interest in attaining energy security, in ‘pure’ RN countries there is an inclination to regional cooperation.

### 5.3.1. Energy policy background

Malaysia is the second largest producer of oil and gas in Southeast Asia (Energy Information Administration 2017) and the world’s second largest exporter of liquefied natural gas (IEA 2017). Overall, it is a net oil exporter. However, the challenges that Malaysia faces are the decline in production at large and the remaining recoverable oil resources being in fields smaller than 100 million barrels (Ibid: 76).

Continued economic growth has been a constant driver in Malaysia’s national policies and the New Economic Model (NEM) was launched in 2010 with the aim of driving Malaysia to become a high-income economy. In this regard, energy has become equally important as other sovereign issues, and that the government has been proactive, not reactive, according to one interviewee. Under this Economic Transformation Programme, there is a clear emphasis on incorporating active participation from the private sector and business community. Among other policies, the Malaysian Government announced incentives “to promote upstream development and boost the commercialization of hard-to-reach oil fields: Investment allowance for capital-intensive projects; a reduced tax rate of 25% from 38% for marginal oil fields; accelerated capital allowances of up to five years; and global incentive for trading” (EY 2014: 323-330).

With regards to the SOE, Petroleum Nasional Berhad – or in short form PETRONAS – was formally created by the Petroleum Development Act 1974 (Act 144), enacted on the 1 October

1974. PETRONAS was granted exclusive ownership and control of the country's petroleum resources. Resource nationalism was therefore legitimated. The mission of PETRONAS henceforth would be to develop and add value to petroleum national resource and to contribute to the well-being of the people and the nation. The 1974 Petroleum Development Act provided statutory justification for PETRONAS to be vested with special rights and powers. PETRONAS is not accountable to the Parliament but rather to the Prime Minister.

### 5.3.2. Pure resource nationalism in Malaysia

Malaysia's economic growth depends as much on a continued and sustainable supply of energy sources as it depends on the continued revenues and export earnings of the O&G industry, embodied in Petronas, as this sector contributes to at least one-fifth of the national GDP - hence the nexus between energy security and resource nationalism (EIA 2017). RN is a posture that has consistently been put forward in Malaysia since the 1970s and is seen as the best path to safeguard national resources development not in a rhetorical but in a real and pragmatic manner.

When asked about the perceived relationship between IOCs and Petronas in Malaysia, interviewees highlighted that PETRONAS actually represented the Malaysian government's interests. The reason underpinning this close relationship between the government and PETRONAS is straightforward: the macro stability of the economy is directly dependent from the company's stability and success. PETRONAS is *the* single largest contributor to Malaysia's government revenues – it is Malaysia's "piggy Bank" (Koswanage 2012). On the other hand, the Parliament has absolutely no oversight of Petronas, not even to review its operations and financial accounts. During the fieldwork, one interviewee affirmed that Petronas is off-budget and that it is important that this NOC is not discussed in the Parliament. In this sense, the energy policymaking in Malaysia is hermetic from other stakeholders' participation, not to mention the foreign actors like the IOCs. If the domestic oil and gas policies are absolutely in the hands of PETRONAS and the government, foreign dimension will only reverberate this feature to a higher degree. Hence, foreign policy-making processes are typically state-centric and executive-driven, lacking formal and effective mechanisms for participation of stakeholders outside the government. In a country where the domestic policy-making process is already tainted by such absence, it is only natural that foreign policy will tend to turn off any echoes. This is particularly evident if we recollect that one of the government's approaches to resume the country's (i.e. PETRONAS') growing oil and gas production trend was based on a *go out* strategy.

Malaysia's policy-making process thus resonates a centrally controlled economy. The O&G sector is *absolutely sealed* in the hands of Petroliaam Nasional Berhad which, in turn, is in the hands of the Prime Minister. PETRONAS is organized under a Chairman and Board of Directors who are selected by and report directly to the Prime Minister. The Chairman, however, has considerable personal power. In Malaysia, RN has been adopted not as a mere discourse instrument but as a real means to address energy security issues.

### 5.3.3. Prospect for regional energy cooperation

There have been manifestations of Malaysia's interest in regionally cooperating in the energy field. In fact, the gas-short ASEAN members, peninsular Malaysia, Thailand and Singapore, would all benefit from a trans-ASEAN pipeline system, one that linked at least four of the countries. It has been argued that Malaysian government has proved to be quite assertive in understanding and addressing the country's present and future energy needs. Interestingly, after reviewing several of the country's economy and energy policy documents, an all-embracing vision of the energy sector is depicted and, with it, the awareness of the importance conceded to realizing regional cooperation. In the Malaysian perspective, the challenges lie in the proper balancing of availability, affordability, acceptability, and accessibility. Hence, one of the long-term initiatives to address challenges lies in

regionalisation, an “on-going process” that goes from the ASEAN Power Grid to the Trans-ASEAN Gas Pipeline and other bilateral agreements.

One of the reasons underpinning the willingness in deepening regional cooperation resides in the country’s interest, not to say need, in reducing risks. PETRONAS is known for its international investment strategy, one that seeks profitability and to minimise risks. Reducing risks and vulnerability is one of the perceived advantages in regional cooperation.

#### 4. Discussion of Results

A striking feature of RN is that energy security consistently appears as both a domestic *driver* and as a *goal* of RN. However, RN is more often than not justified by energy security concerns. The case studies demonstrated that energy nationalism was the chosen strategy for achieving energy security. Indeed, the matter is a lot more complex than it may appear at the surface as it involves a great deal of *instrumentalisation* of the resources discourse. This is a contention embedded in constructivist, rather than realist, views on what constitutes (energy) security as the energy nationalism discourse resonates a political construction. Hence, for the consideration of its real linkage to (energy) security, it should be established whether resources are seen as an *instrument* or as a *goal*. Undoubtedly, this is a context where both internal and external sources impact the policy-making process. Internally, however, different actors with different degrees of access or control interact and, from that interaction in a given place in a given time, national energy policies emerge.

The contention is in this paper that the more resources are seen as a *goal*, the less influences the process is ought to endure from stakeholders other than the state; and consequently, the more driven the policymakers are to pursue policies solely aimed at energy security and other social/economic goals. Conversely, resources are often used as a convenient *instrument*, because they offer an effortless way to conceal other interests that are not necessarily linked to energy security. In cases where energy security is the true guiding goal, states can opt for resource nationalism *and simultaneously pursue* regional energy cooperation. The reason is that regional cooperation can assist resource nationalistic policies because it provides an added platform to jointly manage energy risks, decreases the impetus for competition, and therefore increases their energy security situations. On the contrary, the more countries instrumentalise resources to conceal goals other than energy security, the less inclined they will be to cooperate.

The case studies analysed against the framework proposed give an illustration of the different energy strategies that countries in Southeast Asia have adopted. Indonesia may be positioned at the lower position of this RN ‘hierarchy’ as it embodies a business/vested interests-leverage resource nationalism. Indeed, this is a case where RN policies have been adopted on behalf of safeguarding national resources development. However, it is easy to understand that although Indonesia’s sizable natural resources belong to the nation by Law, it does not follow that the government’s policies have been conducive to an energy security situation or are even guided by that goal. Additionally, no major advancements have been put in motion to reduce the over-reliance on fossil fuels, neither on the demand nor the supply side. Furthermore, the role of the NOC, Pertamina, remains hesitant and the legal and regulatory framework offers little evidence of operationalisation of the country’s vision in energy matters. Hence, considering the country’s fragile energy situation, it can be stated that regardless of the rhetoric, RN has primarily served vested interests rather than national energy security. In this sense, a push towards deepening energy cooperation through ASEAN seems a distant prospect in the Indonesian case. Thailand, in turn, fits in the state-leverage resource nationalism category. The Thai government is also compelled to negotiate with companies. However, different than Indonesia, in this case interests are not antagonistic. Although there is a degree of influence exerted from business groups, this is often consented

or even promoted. In most cases, government and business groups' interests are not antagonistic and policymakers will mostly retain an edge in the bargaining. The aim in Thailand is to pursue energy security goals but policymakers may want to address other social/economic/political concerns and use businesses for those purposes. The fact that Thailand is not well endowed in terms of resources and is an energy importer impacts the relationship between government and business groups because the rents distribution is less problematic than in production countries. Also, the specificities of business-government relations in Thailand complicate the justification of Thailand as a state-leverage rather than business-leverage RN case. Three sets of reasons underpin this categorization. Firstly, as suggested, the government still has leverage in the bargaining. Secondly, there is a clear drive towards pursuing energy security goals. Lastly, there is a strong presence and influence of civil society. These last two features have considerable weight in the differentiation between the Indonesian and the Thai cases. This was also the country where, during the interviews, more optimistic answers were given to the question about the commitment to cooperation within ASEAN. An equally workable scenario is that a higher propensity to venture in cooperation may well be a consequence of the fact that Thailand is an energy importer, and is therefore more interested in the potential benefits of regional cooperation. The case of Malaysia is the one closer to the pure resource nationalism category, that is, to the idea that the government has taken in its hands (through its NOC) the task of exploring the nation's energy resources in the name of the nation's well-being. Although Malaysia faces challenging predicaments, there is official acknowledgement of the moderate energy vulnerability situation of this country. So, policymakers have adopted suitable and integrated energy policies to underpin their long-term objective, the Vision 2020, which, in turn, is underpinned by a continued and sustainable energy supply. It is supported by the central role that the NOC plays in economy and society. The fact that PETRONAS is considered one of the 'new seven sisters' is *per se* confirmation that the government has succeeded, and is also a manifestation that, in Malaysia, resources are seen more as a goal than as a mere instrument in the political arena. The close and impenetrable relationship between the government and its NOC, though criticized, suggests that the decision-making process is less targeted by influences, namely from business groups.

## **6. Concluding Remarks**

The underlying argument of this working paper was that a comprehensive understanding of a country's energy security policies could not escape understanding the multi-level dynamics afoot the policy-making process, which ultimately explain RN policies. In this regard, this paper contributes to the scholarship on resource nationalism by focusing on the understudied interactions between actors, interests, and narrative, which underpin the policy-making process. In concrete terms, it offers a much-needed redefinition of resource nationalism into three categories. On the other hand, it shows why resource nationalism and regional energy cooperation need not be contradictory and in fact may coincide. For example, pure resource nationalism, a practice aiming at improving a country's national (energy) security, may also be at the root of cooperation. Having said that, the paper launches a new research agenda. On the one hand, the reasoning underpinning the construction of this framework of analysis is not exclusive to the energy security domain. There is room for the applicability of this frame to other non-traditional security types. Indeed, the model could be replicated into other security concerns (e.g. food security, water security). On the other hand, the application of the proposed analytical framework to other regional security complexes (e.g. Latin America, Africa) and possibly to cross-regional comparative studies offer promising avenues of research that would greatly contribute to the advancement of the literature. Overall, the analytical framework provided highlights the need to pursue multi-level analyses. The incorporation of the macro (region), meso (States) and micro (sub-national actors) levels of analysis is of utmost importance for a comprehensive understanding of regional cooperation dynamics in any context – and in Southeast Asia in particular.

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