Energy Security: The Diplomacy of South Korea in Latin America

Rita Barbieri¹

Abstract: Concerns about energy security and the need to meet growing energy demands are setting challenges to the world. In circumstances like these, a government maximizes its foreign diplomacy in the energy realm. Therefore, the current Korean administration has made energy security a national goal and has been strengthening its energy diplomacy, through deepening political exchanges as well as economic and commercial ties with energy surplus countries. Latin America is conceived as a new entrant in the energy strategy of the Asian country and it poses many challenges that could hinder its energy diplomacy goal.

¹Master’s candidate in International Cooperation at Yonsei University, Seoul-South Korea.
Email: ritabarbieri@yahoo.com.ar
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1. Non-traditional partners and energy diplomacy

Concerns about energy security and the need to meet growing energy demands are setting challenges to the world. In circumstances like these, a government maximizes its foreign diplomacy in the energy realm. Therefore, the current Korean administration has made energy security a national goal and has strengthened energy diplomacy, through deepening political exchanges as well as economic and commercial ties with energy surplus countries.

The strategic approach for energy security aims at ensuring energy supply to sustain Korea’s economic growth. As a strategy to improve the energy security the current South Korean government has started to put its eyes on Latin America, which is an energy exporter region and one of the richest in primary energy resources (oil, natural gas and coal). It is also endowed with a diversity of biofuels and other renewable energy resources such as wind, solar and hydro. This appears as a strategic energy partner for Korea’s energy diplomacy goals, although the energy links until now have been undeveloped.

The Korea-Latin America relationship must be framed following the classification made by Michael Klare: in the planet’s new international energy order, countries can be divided into energy-surplus and energy-deficit nations. Hence, currently Korea is trying to strengthen the ties with some Latin-American countries in the energy sector, which is not an easy task since there are many aspects that could affect its energy diplomacy.

The general research objective of this paper is to explore the current energy security concerns of Korea and its interest of improving the ties on this matter with Latin America. And in a more specific manner it is going to analyze which are the factors that could hinder the effectiveness of the Korean energy diplomacy in that part of the world, and also it will consider the energy strategies of Korea, taking into account whether the energy security concern would be assured by building partnerships with those countries.

Since there is a lack of information on this topic, the paper aims to respond to the growing necessity for case studies regarding energy cooperation between Asia and Latin America. Therefore, the purpose of this research is mainly to contribute a new finding on the energy ties between Korea and Latin America through an analytical and theoretical perspective and consequently triggering new research projects on the topic.

2. Energy security

2.1 Conceptual framework

Today the world is facing an accelerated increase on the demands of hydrocarbons. Thus, energy has become the main requirement of the State for increasing economic growth; this situation leads to building an energy diplomacy that would use different means of the public diplomacy: diplomatic meetings, academic exchange, and opening of new embassies. According to Nye, public diplomacy is based on three categories of activities: communication, information and engagement. The last category is appropriate to consider as a conceptual framework; it refers to building relationships with individuals or groups abroad in hopes that the resulting goodwill alliance will enhance a country’s image and increases the likelihood that the “desired outcomes” of that country’s foreign policies will be met.
Energy diplomacy in this study is understood as the assurance of energy sources by building partnerships - through exchange programs, establishment of research institutes, forums and diplomatic meetings - as a prerequisite for Korea’s economic development. Furthermore, the idea of energy security implies economic growth, development, regional integration, national security or the use of oil wealth to influence events in other countries, leading to increase the energy demand that induces diversification of suppliers across the world. As a result, the consumption of fossil fuels will increase and they will continue to provide the vast majority of energy although they are distributed unevenly around the world. Because of this context, deficit-resources countries like Korea compelled to set strategic and pragmatic policies in order to solve its energy security concerns. Those concerns are conditioned by the energy source supplies. The way that those policies would be carried out will determine whether the country achieves the assurance of energy sources.

The existent approaches on the energy topic have been related to development and energy security, as a source of conflict among nations, renewables, climate change, and environment. For example Klare, Kalicky and Goldwin and Yergin have focused on the business of oil and gas and how governments are struggling geopolitically in order to assure control over resources, and this has to do with the growing dependence of rising powers such as China and India. This is directly related to the changing geopolitics of energy that may affect the global and regional order, including relationships among the major powers, showing that the current energy field is based on a diplomatic and security perspective.

According to Yergin, the renewed focus on energy security is driven in part by an exceeding tight oil market and by high oil prices, which have doubled over the past three years. It is also fueled by several aspects including geopolitical rivalries and countries’ fundamental need for energy to power their economic growth. The scholar also noted that energy security will depend much on how countries manage their relations with one another, whether bilaterally or within multilateral frameworks. Hence, Korea’s energy diplomacy in Latin America is allocated within this context.

The Lee Myng-bak administration has made energy security a primary national aim and it has also outlined new action plans of energy diplomacy. The seriousness of this energy diplomacy was tested when the government used political persuasion to guarantee the nuclear energy deal with the United Arab Emirates. During the tough negotiation process, the Korean president personally supervised the project, obtained the diplomatic support from the US and even travelled all the way to Abu Dhabi to attend the signing ceremony of the deal he later called the “heaven-sent national fortune.” This example the extent to which energy has become important to the current government, and shows that diplomacy is the main tool used in order to get a successful outcome.

Latin America strategically needs more investments in order to accelerate the pace of economic modernization and to raise levels of domestic productivity. For Oviedo, this has to do with de-primarization goals for some Latin American countries, promoting industrialization and adding value to their products. Also it has to be noted that dealing with Latin American countries, which some of them implement energy policies ruled by resource nationalism strategies, could be more difficult than expected. This is a challenge that the Korean government and energy companies have to ponder. In fact, other

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7 Ibidem, p. 69.
nations competing within this region also confront this problem, such as China, which is building great partnerships with the energy abundant nations of Brazil and Venezuela.

2.2 Argument and Methodological Framework

The current governments in Northeast Asia (China, Japan and South Korea) are competing with each other as well as with other nations. These governments have started to strengthen their diplomacy in the global energy market competition to secure national supply and demand, bearing in mind how competitors continue to secure their own prospects by looking to other regions different than the Middle East.

South Korean energy diplomacy pursues energy security through building constructive partnerships with new entrant’s energy producing nations. Hence, it is essential to have a deep look into the factors that might make this aim insecure. For that reason the research question of this paper is: What are the challenges inherent in the South Korean energy diplomacy in Latin America?

The interest of China to develop energy cooperation with Latin America is important to take into account as a background for a better understanding of the Northeast Asian energy security’s main concern that is to find more suppliers in remote areas. The Chinese presence in the region creates competition for South Korea’s new energy diplomacy, since attracting those countries for energy business could be more arduous than expected.

Other factor that could affect the goals of the South Korean government is the resource nationalism policies. Resource-rich developing regions view the underground resources of a nation as an integral part of the national territory in which they are found. This is a great challenge for Korea’s energy policy.

This paper argues that South Korea’s current energy diplomacy, which aims to ensure energy source diversity through building constructive partnerships with new entrants’ energy producing nations such as Latin American countries, is hindered by two factors: resource nationalism policies and rivalries.

Throughout this paper, I attempt to examine the aforementioned factors while considering theories that will help with the analysis of the selected topic.

Taking into account the nature of the variables, this study has an exploratory and analytical perspective. Hence, the methodological approach is based on a qualitative research. The information was collected from secondary sources such as books, specialized journals and online data from official Korean, Latin American and other foreign websites on energy matters and international cooperation.

3. Korea’s Energy Sector Overview

Korea is currently ranked tenth in the world in terms of energy consumption. With very limited indigenous energy resources, it relies heavily on imports of oil, natural gas and coal. As a net energy importer, the recent rise in energy prices has raised government concerns on energy security issues. High oil and liquefied natural gas (LNG) prices have had an impact on the economy, particularly in the industry sector which is dominated by energy intensive industries like steel, cement, petrochemical and ship
building. Part of this huge energy dependency stems from the fact that the Korean economy is significantly energy intensive country.

Important facts:

- South Korea is the 7th largest oil consumer in the world.
- South Korea is the 5th largest net importer of oil in the world.
- South Korea is the 2nd largest importer of LNG in the world behind Japan.¹¹

Korea imports 96.7 % of its energy from abroad. The Middle East is the main supplier of crude oil to Korea, with the Persian Gulf accounting for nearly 75 % of its 2009 total oil imports. Saudi Arabia was the leading supplier, and the source of more than a quarter of total oil imports. Korea is heavily dependent on gas imports from Qatar, Indonesia, Malaysia and Oman.¹²

In the graphic below, the world forecast of energy demand worldwide can be observed, and it indicates the high dependency of fossil fuels by 2030.

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¹² Idem
Although there are attempts to shift the dominant source of energy in Korea, the country’s heavy dependence on foreign supply remains unchanged. In Korea, the forecasts for growth in imports indicate that there will be persistent growth in all energy imports (oil, coal and LNG), although it will be at a lower rate than that of recent years. According to the Asia Pacific Energy Research Centre (APERC) estimates, from a base of 189 Mtoe (Million Tonnes of Oil Equivalent) in 2006, net imports may raise to 239 Mtoe in 2020, and 271 Mtoe in 2030. According to these data, gas imports could reach 72.9 Mtoe in 2030 (they stood at 31.5 in 2006), while oil imports could rise from 101.8 in 2006 to 135.6 Mtoe in 2030.\(^{13}\)

In addition, South Korea’s energy consumption per capita is more than twice as high as the world average (around 5 toe / cap in 2009) and has been higher than the OECD average since 2007 (+11 percent in 2009).\(^{14}\)

\(^{13}\) APERC, ‘Korea’, in *APEC Energy Demand and Supply Outlook 2006*, p. 46


[http://www05.abb.com/global/scot/scot316.nsf/veritydisplay/124041516f0075a1c12578640051c021/$file/south%20korea.pdf](http://www05.abb.com/global/scot/scot316.nsf/veritydisplay/124041516f0075a1c12578640051c021/$file/south%20korea.pdf)
Consequently, South Korean oil and gas companies have increased their involvement in overseas exploration and production (E&P) projects. The Korean government has helped to encourage those activities by providing credits and diplomatic aid in overseas negotiations.

Source: Inter-American Development Bank- Energy Division.

South Korea is very dependent on energy imports, oil and gas imports and the supply of oil from the Middle East. Those aspects and the ideas for diversifying energy sources and suppliers have pushed South Korea to seek equity stakes in energy exploration and acquisition projects worldwide.

3.1 Regional diversification

With the globalization of a particular country’s economic activity that lacks the necessary resources to keep the engine working, dependence on foreign energy becomes an obligation. This energy dependence must be regarded as a combination of the reliance on energy resources rich countries and the own industrial sector and costumer needs. This formula has pushed many nations to seek the diversifications of suppliers beyond their regions.

This is the case of the Northeast Asian countries, such as China, Japan and South Korea. These countries have been pursuing economic growth through their industrial sectors, which are energy intensive industries. This development model started some decades ago and these countries also have been experiencing development of knowledge-based industries, but they still rely strongly on the former sector. Fossil fuels are essential to maintain the performance of the intensive sector. This dependence has sometimes led these nations to pay more for energy, looking for new suppliers and also for new alternatives of energy. Diversification is a mechanism to increase energy security, in order to reduce their energy vulnerabilities.

On a regional basis, and in the specific cases of Japan and South Korea, natural gas and coal are emphasized, and new suppliers could be used to reduce the dependence on Middle East oil. Furthermore, the dependence in one or two suppliers is very risky considering the insecurity externalities such as piracy, terrorism and political turmoil. In the case of oil, there are a large number of suppliers and thus a high potential for diversification. The high dependence on the Middle East is related to economic factors such
as transportation cost differences. The cost of much greater diversification of supply sources could be high, but could greatly reduce risks due to dependence on particular suppliers.

The main reason of diversifying suppliers is to reduce the heavy dependence on oil in energy consumption and the heavy reliance of oil imports from the Middle East, and concurrently to reduce the overall risk and consequence of disruption of supply in particular fuels or from particular suppliers. An appropriate example of this was the 1973-74 oil crisis, when many consumer countries had to deal with shortage of supply and high prices owed to an OPEC oil embargo. The impact of the two oil crises on the Korean economy was severe. In response, the government tried to limit the annual increase in energy consumption to about 7 ~ 8%. By the 1990s, however, consumption was increasing about 3 to 5% per year since 2001. Furthermore, energy security goes beyond since it covers issues of geopolitical instability and natural disaster, among others. In addition, the high reliance on one supplier increases energy vulnerabilities.

In the case of China, South Korea and Japan, they are not only competitors but also have common interests and objectives on diversification of supply, in order to reduce the dependence on the Middle East. South Korea aims to heighten the geographical diversification of its imports, by means of an increase in oil and gas imports from Russia and, to a lesser extent, from Central Asia. For the time being, Africa and Latin America are seen as much lower priorities for the supply strategy, however the latter will become more important since competition and demand for primary energy will increase.

3.2 Lee Myung-bak administration: energy as a paramount important topic

Lee Myung-bak’s administration has put an enormous emphasis on developing energy diplomacy as a leading tool for the country’s foreign policy in order to pursue different national interests. One such example is energy security, which has been identified by some scholars as an overriding concern of Korean diplomacy today. The president has outlined a focus on securing energy resources necessary to sustain South Korea’s economic growth. In this sense, diplomacy is needed to strengthen and to develop relationships with energy producer countries. Resource diplomacy is essentially a measure to ensure the necessary inputs to promote continuous South Korean economic growth. South Korea is trying to involve itself with many countries that have not received priority in the past from South Korea’s diplomacy.

According to Yergin, energy security is simply the availability of sufficient supplies at affordable prices; different countries interpret what the concept means for them differently. For Korea energy security could mean balance of its scarcity of resources through diversification, trade and investment. Lee’s administration has made energy security a national goal and has embarked on new action plans. These plans are well known as “energy diplomacy”. The main objectives of South Korea’s energy security strategy can be summarized as follows: diversification of sources of energy and suppliers, consolidation of strategic oil reserves, conservation, rationalization and the quest for efficiency, and development of resources abroad.

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17 Ibidem, p. 25.

Therefore, in an attempt to secure primary energy sources and escape from the extreme reliance on the Middle East, Korea has been trying to diversify its import sources. However, the dependence on that region still is very intense, for example: Korean deal on development of oil fields with UAE in March 2011.

In the middle of China’s huge funding and Japan’s high tech exploration capabilities, the size and per capita income difference vis à vis its neighbors means that, to a certain degree, Korea is caught in a stronghold. Thus, Korea needs to engage in active diplomatic relations with some of the resource-rich countries, including traditional and non-traditional partners. As a result, Korea has decided to use foreign policy to secure access to energy supply abroad and to promote (mostly bilateral, government to government) cooperation in the energy sector. And this leads to the argument whether energy diplomacy makes a difference, assessing the successes or failure of state backed efforts to facilitate or foster resources access.

President Lee, in the attempt to diversify the suppliers as a relevant policy, has selected Russia, Central Asia, Africa and South America as priority regions for resource development in a bid to promote summit talks for resource diplomacy. However South America has the lowest priority when compared with others. In 2010 the government launched the Fourth Overseas Resource Development Plan where several strategies have been stated, such as the enhancement of global competitiveness of overseas development companies and encouragement of investment in resource development from the private sector. The plan includes policies ideas such as supporting state-owned energy companies like KNOC (Korea National Oil Company) and KOGAS.

The government’s role in energy diplomacy is more supporting than leading, since the Korean energy companies are responsible for developing and market energy. The government’s supportive role in energy diplomacy is helping Korean energy companies to overcome their disadvantages compared to their foreign counterparts and extenuating political risks on the companies’ behalf, which may arise from an increasingly competitive and volatile business environment.

According to the Energy and Mineral Resources Development Association of Korea (EMRD) the government policies toward overseas resource diplomacy are:

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President Lee has put emphasis on the importance of strengthening Korean companies capabilities to assure energy resources. He requested to the Ministry of Knowledge and Economy (MKE) for a more elaborated national strategy for overseas energy acquisitions and KNOC’s global expansion strategy. KNOC and KOGAS are under the control of the MKE and are classified as public corporations in Korea.

Overseas energy resources development projects are run by the EMRD of MKE, which finances and undertakes oil development projects and builds resource cooperation infrastructures, overseas oil development investigation, overseas resource development loan, and overseas resource development investment. The Korea Mineral Resources corporation investment’s budget was expanded to 1,7021 trillion won in 2010. What Korea might be pursuing is the acquisition of production assets or E&P companies rather than exploration assets; since the latter even though is less expensive it requires more time deliver results and contains higher risk.

From 2008 until the present Korea has reached many Memorandum of Understanding (MOU) agreements with fossil fuel producer countries, achieving around 178 projects in the world by May 2010, 43 of which belong to KNOC in 17 countries while KOGAS has 13 projects in 10 countries.

There are certain facts that are important to consider when analyzing Korea’s capacity in overseas energy development in order to measure if the energy diplomacy would be effective or not since it does not depend only in the efforts of the government, but also it relies on the financial capacity of the country when operating and competing overseas:

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22 Jeon, p. 6
24 Jeon, p. 2
Strength

Capacity in infrastructure and construction industry is strong.

Competitiveness in downstream sector is high.

Available capital for overseas energy project is smaller than that of US, EU, Japan and China.

Weakness

Core technologies in upstream project are still weak.

Experience in upstream business is not enough and the visibility in the market is low.

Looking at both sides of the capacity that Korea has, it must be pointed out that diplomacy may be addressed in a way that could balance the current weakness. However, the strength it possess and the diplomacy that the government has attached to it as a supportive factor have been observed as ineffective in some cases when winning contracts and buying foreign companies in order to provide energy supplies. The diplomacy defined here as an art of conducting relations in the international arena is understood as an instrument that the government uses not only in negotiation during summit talks or personal networking, but also when giving support in foreign socio-economic policies such as development aid or development in infrastructure. The Korean government has opted for the latter approach.

Korean companies have an approach called Accompanied Overseas Resource Development (AORD),26 which is oriented on securing resources in foreign countries while supporting the development of infrastructure of energy, Social Overhead Capital (SOC) construction and information technology required in those countries, since these are sectors where Korea enjoys competitive advantage.27 Therefore, the idea is to provide the know-how, boosting the industrialization in countries that are rich in energy sources but not yet industrialized while it obtains supply. This is where Korea has as a chance to penetrate certain regions.

This initiative has to do with Korea-devising its own strategy to approach resource-rich countries, being a latecomer in global competition to secure energy. China, Japan and India have increased their investment aggressively and support their companies by offering overseas development assistance (ODA) or by exploiting their diplomatic influence. Since Korea lacks funds and experience in comparison with those countries, the formula for its strategy would be AORD plus active diplomacy with financial and industrial capacity development (even though is still weak) as a way to carry out its energy security goal.

Since energy plays a vital role in national development as it is used for economic activities, it turns political because it is concentrated in a few countries and it is vulnerable to manipulation. Therefore, the competition is high and the demanding country has to maximize efforts through public diplomacy, in order to build relationships, to cultivate trust and mutual understanding between peoples (groups,

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26 Before the approach was called package but they decided to switch for strategic purposes.
organizations, nations, etc.), helping to create an attractive image of a country and this can improve its prospects for obtaining its desired outcomes. As part of its energy diplomacy, the Korean government through KOICA has been offering training programs to high-level officials from resource-abundant nations presenting Korea’s energy resource industry development process and policies in order to establish a foundation of personnel interchange and cooperation between Korea and the participating countries.\textsuperscript{28}

Korea’s interest on expanding ties with new energy-exporting countries is set as a priority; consequently the country has to consider the next factors: identifying accessibility, political environment and regulatory regimes, since politics in new energy-exporting countries tends to be less predictable, and companies are susceptible of state intervention.

4. The relationship with Latin America

The diplomatic relations between both actors started in the 60’s. Korea's foreign policy toward Latin America was based on obtaining international support to contain the communist threat, immigration to the region, limited trade for natural resources and light manufactured goods. During the 70’s and 80’s the relationship was based on a political axis, whereas in the next decades the focus shifted to the economic, commercial and financial fields. Korea emerged as a prominent associate in consolidating economic relations with the region.

Later on, market-oriented economic reform, deregulation and trade liberalization of Latin American countries opened up the option for Korea to have new opportunities to improve its economic relations with the region. This was beneficial for Korean exporters in order to diversify their boundaries of trade and investment, plus the need of natural resources which was a fundamental aspect in an attempt to continue with the process of industrialization.

Therefore, in the 90s Korea’s economic relations with Latin America rapidly increased, in terms of trade volume. Korea's investment in Latin America was more active than any other Asian country in that decade. Korean exports to the region ascended from US$2,104 million in 1990 to US$8,645 million in 1999, equal to 311 percent growth, with an annual average of 17 percent. This annual growth rate surpassed that of Korea's total exports during the same period, 9.2 percent, and also that of the total import growth of Latin American markets, 12.7 percent.\textsuperscript{29}

Historical trade between Korea and Latin America

<table>
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<tr>
<th>Year</th>
<th>Export</th>
<th>Inc. Rate</th>
<th>Import</th>
<th>Inc. Rate</th>
<th>Balance</th>
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<tr>
<td></td>
<td>Value</td>
<td></td>
<td>Value</td>
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<tr>
<td>1970</td>
<td>835,185</td>
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<td>1,983,973</td>
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<td>16.7</td>
<td>-9,654,736</td>
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The development of Korea-Latin American relations began to rise after the visit of President Kim Young-sam in 1996. During that time many agreements were signed in order to establish an institutional framework for the expansion of exchanges and cooperation between Korea and Latin America as well as for more active engagement of Korean companies in the economic development process in the region.

The political relation during the cold war period was based especially on not only economic and commercial considerations, but also on the Korean economic expansion and on the constant growth of Latin America. This mutual sense of opportunity is present in the relation in the following period. Due to those economic reasons Korea’s heads of state started to visit Latin America. During all this period the region offered political support to Korea to continue with important steps such as the application to the Security Council of United Nations and support for the creation of KEDO, of which Chile and Argentina are the only Latin American members. Moreover, Korea has started to participate in multilateral organizations that involve-Latin American countries. That is to say that the Korean diplomacy has been dynamizing during the last decades, with the aim to obtain a major presence in the region: observer member in Organization of American states (OAS) from 1981; in 1995 started its participation in Rio Group Troika; in 1999 it has been established the Forum for East Asia-Latin America Cooperation (FEALAC) as an inter-state tool for multilateral diplomacy, it gives the feeling of common sense of belonging. Also APEC plays an important role in the relationship between these two actors.

In November 2004, there was a new chance to improve the relations with the visit of Korean President Roh Moo-hyun; since the ties were affected due to the Southeast Asian crisis in 1997. His trip to three South American nations—Argentina, Brazil and Chile—can be evaluated very positively, in that leaders of Korea and Latin America agreed on several strategic agendas in the fields of natural resources, information technology, government procurement, culture and science. According to Korean scholars, Roh’s visit to South America has established the basis for South Korean cooperation with Latin American countries. It opened up a new market for Korean export and investment, showed the possibility for diversifying energy sources; and the membership in the Inter-American Development Bank (IDB) as a mean for Korea to have better penetration in the region and the possibility of opening up for the big

<table>
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<th>Year</th>
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<td>1996</td>
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<td>132,313,143</td>
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<td>39,031,388</td>
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<td>1999</td>
<td>143,685,459</td>
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<td>119,752,282</td>
<td>28.4</td>
<td>23,933,177</td>
<td>-</td>
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</table>

Source: KITA

30 Argentina contributed oil, $200,000 worth in 1996, [http://search.japantimes.co.jp/cgi-bin/nn19991022a6.html](http://search.japantimes.co.jp/cgi-bin/nn19991022a6.html)
31 FEALAC has recently develop its membership to include 33 countries, 15 from Asia (10 ASEAN member countries, China, Japan, South Korea, Australia, and New Zealand) and 18 from Latin America (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Cuba, Dominican Republic, Ecuador, El Salvador, Guatemala, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela).
32 Ibidem, p. 68.
33 Brazil also supported South Korea’s participation in the Inter-American Development Bank as a full extra-regional member, backing down from its earlier opposition, which had been based on fear that Korea would compete too aggressively in the regional government procurement market currently dominated by the U.S., Europe and Brazil. The market is known to be worth around US$10 billion a year. Kwak, 2004.
Korean enterprises to be participants in the Bank’s projects, this being a market of US$10 billion per year. Also, the Korean government agreed with MERCOSUR members to carry out impact assessment studies over a possible trade agreement between Korea and MERCOSUR during the visit of Roh to Argentina and Brazil. Since then, both Parties have involved their respective private sectors to define their interests in the negotiations of an FTA.

The relation that Korea projects with Latin America through instruments of bilateral and multilateral diplomacy seeks to intensify ties commercial (commodities and energy resources), cultural (the influence of the Korean community in the region) and political (to support an opened dialogue that dynamize the commercial and cultural link). During the 20th century the Korean diplomacy was orientated principally towards Central America and the Caribbean, but in this century exists a reorientation towards the relations with countries of South America where it looks for major levels of energetic cooperation and commercial opportunities with Brazil and Argentina.

Latin America’s market is increasingly dynamic and promising, possessing energy sources and commodities which South Korea lacks and, in consequence, are vital for economic growth. In order to reinforce the cooperation with strategic partners for resources, in recent years the Korean government has actively pursued the so-called “resources diplomacy” through meetings with leaders of rich resources countries.

In line with the aforementioned strategies, the Korean government has created the Information and Technology Cooperation Center in Brazil and Chile, and the Korean–South American Cooperation Center in Energy and Natural Resources in April 2006, plus the Korea Cultural Center, both in Buenos Aires, Argentina. Thus, closer links with Latin America, under these initiatives could be explained as a renovated foreign policy of energy and economic, as well as scientific, technologic and cultural cooperation. In addition, Korea joined the UN Economic Commission on Latin American (ECLAC) and the Caribbean in 2007, according to ECLAC authorities this membership will open new opportunities for the economic and social development of our region, particularly in poverty eradication, small and medium-sized enterprises (SMEs) development, information and communications technology (ICTs), and foreign trade and investment between the Asian and Latin America/Caribbean regions.

As a matter of fact, Korea has been trying to achieve a positive image through those initiatives with public diplomacy which, as defined by Nye, “refers to the building of relationships with individuals or groups abroad in hopes that the resulting goodwill will enhance a country’s image and increases the likelihood that the desired outcomes of that country’s foreign policies will be met.” What Korea is looking for in the region is related to its national interest, where Latin American countries are seen as potential partners. From the first half of the current decade it seemed that the attention on the Latin American energy sector has begun. The foreign policy under the administration of President Roh was set by the scholar Kwak Jae Sung and focused on globalization, diversification, multi-functionality, regional cooperation and a future orientation in foreign policy.
The trade between these actors has quadrupled in the last 15 years because of the economic cooperation between both regions. The trade with Latin America has been increasing, Brazil being the main commercial partner. In 2008, total trade between Korea and Latin America grew by 27.1 percent to $47.0 billion. Exports grew by 29 percent to $33.3 billion, while imports of Latin American goods increased by 21.5 percent to $13.8 billion, according to data from the Korea International Trade Association (KITA). From 2004 there has been an increase in exports and imports, however in 2009 the trade collapsed, which might be as a result of the international economic crisis.

This shows that there has been a positive relation through trade, and the region represents a growing market for Korea. The continuous but low rhythm of trade is owed to the productive and economic structure of the Asian country and those countries as providers of commodities and others sources as well as their low inter-state conflicts status.

4.1 The Energy diplomacy in Latin America

Considering the Korean dependence on commodities and energy sources, the region recently is being target for a growing and continuous trade and investment activities, although the political ties still are not strong enough to go further. The most important factor in order to deepen the relation depends on the political will from both sides, and here diplomacy has an essential role. This context points out that Latin American countries have more significance in the Korean foreign diplomacy than before, where not only trade but also geopolitics is involved. However, the state of the relationship is not mature and for its improvement the condition is to design an appropriate foreign policy that envisages a linkage model with that region. Furthermore, since last decade Korean administrations have been approaching to those countries, although the evidence is that there have been more potentialities than existent fruits.

Since 2008 with President Lee, energy security has been put in the main’s government agenda. Thus, the actual administration has continued with Roh’s approaches of trade and investment in Latin America, and in addition it has stressed the necessity of the search for energy resources. A current situation that must be under consideration is the involvement of China and its active diplomacy in the region, becoming a strategic partner for Latin America.38

Considering the fact that the relationship among both actors is still weak, this section will analyze how Korea has been approaching Latin America. Since this region produces all the elements that Korea needs for its development and industries— that is to say, raw materials, natural resources and energy— what the region has is functional to Korea’s national interest.

An adequate level of energy necessary to support the economy plays a prominent role in Korea. Thus, the continuous economic growth will inevitably result in a higher energy demand in Latin America, because it is strategic for Korea’s energy security policy. The government has applied a strategy of cooperation with those governments for the already mentioned purpose by means of bilateral committees, exchange of high-level delegations and visits of heads of state.

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Long-term measures to reduce the probability of energy disruption may be either “strategic” or “market” oriented, but originally most measures to reduce the impact of disruptions are strategic. South Korea’s measures are linked to the strategic approach which combines state-sponsored economic measures with political initiatives. Economic measures are those that include—direct government participation by enhancing domestic energy production and in investing in overseas source of energy. Political links with energy exporters are related with investment, aid and infrastructure development (AORD).

There are many challenges that the relationship has to overcome, but since there is a comparative advantage- where the Latin American countries are pursuing economic growth through different ways, included the energy export sector, and Korea also pursues the economic recovery trough ensuring energy security- that could make possible cooperation, rather than tension. Although the de-primarization goal of some of those countries could bring tension, as is predicted in the relationship with China. A significant example of this tension appears in Argentine-Chinese relations when China banned the access of crude soybean oil since Argentina’s trade policy decided to process soybean giving added value to their exports.

According to the Ministry of Finance and Strategy, the country has announced five areas of development cooperation with Latin America: 1) energy and commodities, 2) food, 3) forest, 4) trade, and 5) joint development—aid programs with IDB. The government is seeing the free trade pacts and bilateral ties as a tool to boost economic cooperation with the resource-rich region.

We can see the aforementioned in recent dialogues and informal agreements between Korea and some countries of Latin America: Mexico, Ecuador and Bolivia. In strengthening diplomatic ties in order for future energy cooperation Korea has been executing multifaceted energy diplomacy with them, such as promises on infrastructure’s construction, openings of embassies, summit meetings, and professional training.

As mentioned before, Lee, after taking part in the Summit of the G-20 celebrated in Washington in November 2008, travelled to Brazil and Peru, which constituted not only an excellent opportunity to stimulate diverse contacts with Latin American diplomats, but also the chance to enhance mutual knowledge and the political, economic and cultural relations between South Korea and Latin America. Furthermore, Lee’s visit to those countries showed that the interest of the Asian country in approaching Latin America is still active. This strategic policy is coherent with the diplomacy of “global” character and the economic connections and strengthening relations with regional powers on the basis of the need for commodities and energetic components of Lee’s foreign policy.

He also visited Mexico in February 2010, where he reached a series of agreements to expand their cooperation in energy, construction and trade. Korea’s STX Group and Mexico’s state oil producer Petroleos Mexicanos signed a memorandum of understanding to jointly push a liquefied natural gas

40 Idem.
41 Oviedo, p. 14
42 Ibidem, p. 16
terminal project in that country. The aforementioned fact is good evidence of how the Korean government is approaching Latin American countries.

Also in June last year, president Lee visited some countries in Central America; one of the main issues addressed in the agenda was the exploitation of mineral resources. Korean companies have shown interest in investing in several major mining projects in several provinces; also participating in projects for generation of energy. During the visit, he participated in the third Korea-System Integration Central American (SICA) Summit, held from June 28 to June 30, 2010. At that summit, he met with the presidents from Costa Rica, Guatemala, Dominican Republic, El Salvador and Honduras and asked them to support the business activities of Korean companies there in big projects like infrastructure and energy.

In addition, the Korean government has opened its embassy in Bolivia and some Latin American presidents, as in the case of Ecuador and Bolivia, travelled to Korea to arrange energy and mineral resources deals, as well as oil companies from Korea and that region have reached agreements on energy cooperation. When Ecuadorian president Correa visited Korea last year in September, he discussed with Lee energy cooperation measures, including Korea’s participation in the South American nation’s $12.5 billion petrochemical infrastructure project. During that meeting Lee promised that Korean corporations would participate particularly in building energy infrastructure, oil-refinery facilities and developing energy and mineral resources as well to increase loans and grants for bilateral economic cooperation in the fields of solar photovoltaic and wind power generation.

Korea is currently promoting a number of oil and gas development projects in six countries such as Argentina, Colombia, Peru, Brazil, Venezuela and Bolivia, some of which are characterized by providing favorable open policy in oil development and others have a tighter policy regarding foreign activity.

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<tr>
<th>Country</th>
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<td>Venezuela</td>
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<td>Colombia</td>
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Even though several South Korean multinationals are already operating in the fields of energy with low stakes on a total average, the Asian country is seeking to expand its activities in Latin America, which is the reason of the latest diplomatic movements in the region although those actions are not so active compared with the Chinese diplomacy and its huge funds. Korea might be afraid of losing its position since most of the room today is occupied by China and its NOCS. Thus, a long-term policy toward Latin America has to be built, looking very carefully at the progressive policy of China in the region and evaluating its consequences for Korea.

Korea is seeking a win-win strategy in order to gain–room in the region through–successful cooperation. Korean officials and scholars think that must be a model for the exchange of capital, technology and resources. However, the model should be more innovative in order to compete with other players. China is investing, and also offers infrastructure development. Korea should pursue AORD but it must add more value and expertise and get to know the region better in order to get efficient deals. It has to take into consideration that Latin America has higher level of economic growth and industrial efficiency than Central Asia and Africa and a higher level of legal and institutional growth.

As Kwak has indicated, the key factor deciding the quality of a cooperative relationship must be the existence of “mutual understanding and true partnership,” which should not be confused with

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<th>Palmar del Oratorio (exploration)</th>
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<td>Perú</td>
<td>Perú 8 (production)</td>
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<td>Perú 56 (exploration)</td>
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<td>Z-46 (exploration)</td>
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<td>Peru 115</td>
<td>KNOC</td>
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<td>Savia Peru</td>
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<td>Argentina</td>
<td>Palmar Largo (production)</td>
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<td>Santa Victoria (exploration)</td>
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<td>La Brea (exploitation)</td>
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<td>Brasil</td>
<td>BMC-8 (exploration) sold**</td>
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<td>BMC-30 (exploration)sold**</td>
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<td>BMC-32 (exploration)sold**</td>
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Sources: MKE, KEEI, KNOC, SK, Golden Oil.

* Finished in 2006, the company decided to leave the country.

** SK sold its equities to other oil companies (Maersk Oil, Denmark) last December 2010.
diplomatic discourse, trade and investment figures, or numbers of multilateral meetings.\footnote{Kwak, Jae-seung, “Changing Relationships between Asia and Latin America: Redefining the Pacific Rim” presented at International Conference of Latin American Studies Association of Korea, Korea and Latin America: new departure for 21th century, October 1997, p.14. \url{http://www.ajlas.org/v2006/paper/1998vol11no204.pdf}} In order to be effective, energy diplomacy has to go forward, to make what is currently just a potentiality tangible, through a more creative policy that can make possible the desired outcome in the medium term.

5. **Geopolitics and Energy: Energy nationalism and emerging competition in Latin America**

5.1 **Energy and Nationalism**

Latin America is going through a process of revision of energy terms at a time when state-producer companies have more power than private foreign companies. As said before, in the region today we see two trends: 1) one trend is towards rising state control of energy resources (resource nationalism), as is the case in Mexico, Venezuela, Argentina, Bolivia and Ecuador, 2) the second trend, led by Brazil, Colombia, and Peru, is a policy that welcomes foreign investment and requires state-owned companies to compete with foreign companies, with independent regulators that promote equitable and efficient regulation.

According to the definition of resource nationalism by Michael Klare a nation manages its energy flows in accordance with vital interest. The expression most widely employed to describe such a phenomenon is “statism”, or, in some cases, “neomercantilism”.\footnote{Klare, op. cit. p.23.} In Latin America, the emerging threat is that rising state control will limit the growth of global supplies of oil and gas by undermining the value of investments, discouraging future investment, or barring foreign investment altogether.

The Mexican Constitution reserves the state the right of exploration and production of all hydrocarbons located in Mexico. The oil and gas industry was nationalized in 1938 by President Lazaro Cardenas, and has since then become a political expression of sovereignty. The oil and natural gas sectors are under exclusive operation of PEMEX, restricting private investment in both sectors, and consequently avoiding its development.\footnote{Tellez Kuenzler, Luis, “Latin America “, in Kalicki Jan and Goldwyn, David, *Energy & Security: Toward a New Foreign Policy Strategy* (Woodrow Wilson Center, 2005) , pp. 381-388.} There have been several attempts by past administrations to amend the Constitution to allow private investment. Unfortunately, these attempts have not been successful, mainly due to the strong sense of national pride that ownership of oil and gas has generated.\footnote{Pascal, L. Latin American Energy Markets for 2011 − Brazil and Mexico, *Latin American Law & Business Report*, Volume 19, Number 2, February 2011, p. 5.}

The government of Chavez developed the policy of Oil Sovereignty, which has helped the state to regain control of this resource, in order to benefit the population of Venezuela. With the policy of Full Sovereignty, Venezuela fully regained fiscal control, collection of royalties and taxes, as well as the equitable administration and use of this resource. The core idea behind the resource nationalism according to Mares is that the natural resources are a national patrimony and consequently should be used for the benefit of the nation rather than for private gain.\footnote{Mares, David, *Resource nationalism and energy security in Latin America: implications for global oil supplies*, Baker Institute for Public Policy, Rice University, January 2010, p. 6}

In 2005 Venezuela’s government passed a hydrocarbons law that insists on a 51 percent share by the national oil company and a higher royalty rate. The current Venezuelan strategy is based on Plan
Siembra Petrolera 2005-2012, which has defined a new geopolitical and geostrategic vision that seeks for the diversification of its oil export market and also for sources of capital investment and technology. The Plan not only proposes to guarantee the supply to Latin American countries and the Caribbean, but also it considers markets from other regions like Asia, especially China.53

In Bolivia, President Evo Morales’s May 1, 2006, decree declared that the state would take control of all gas fields. Royalty payments to the Bolivian government at the largest gas fields will now increase from 50 percent to 82 percent. All producers are obliged to sell at least 51 percent of their holdings to the Bolivian government, with the value of that share to be assessed by audit and negotiation. The two largest gas fields must give 82 percent of production to the state, up from 50 percent. The state will take 60 percent of production from other fields.54 This decision made by the government to take control over the country’s oil and gas needs to be seen as well in the context of a larger effort to reduce two decades of neoliberal policies that were forced onto Bolivia from abroad as a reassertion of national sovereignty.

In 2005, the President of Ecuador Alfredo Palacios sought to increase windfall revenues from 30 percent to 50 percent and to renegotiate production sharing contracts, while still embroiled in disputes over companies claims for tax payment rebates denied by the government.55 In July 2010, with the current administration of Correa, the latest reform to the Hydrocarbons Law reclaims national sovereignty over the country’s nonrenewable oil resources. It mandates that existing oil participation contracts to be converted to service-type contracts, whereby 100 percent of the crude produced in a given area shall remain state property.56

By 2006, the effect of these developments was that new investments in these countries were virtually frozen at a time when prices should be driving new exploration and production. No new voluntary investment has been made under Venezuela’s 1998 hydrocarbons law. New investment is unthinkable in Bolivia until existing companies can determine the extent of their losses. Ecuador’s investors are mulling legal action and suspension of existing investments. High oil prices have enabled President Chavez to maintain very high revenues for his government, allowing increased domestic social spending and increased levels of foreign assistance.57

In countries such as Venezuela and Ecuador, resources nationalism policies are strong. Chavez opposes Washington (strategic partner of South Korea) on trade integration and its liberal (versus his Bolivarian) model of democracy. He also seeks to exclude the United States from regional economic energy arrangements in South America and the Caribbean.

With those policies the countries are pursuing the maximization of geopolitical influence on the world by using energy exports as political weapons. However, the apparent goals of these policies – economic and energy security– are difficult to accomplish through nationalist policies that could isolate

57Goldwyn, op. cit. p.4
countries from the international system. Those extremist policies can affect the global energy security and, consequently, destabilize the international political system. The economic consequence of this trend is that the hemisphere will contribute less to the diversification of oil supply, thereby increasing the importance of OPEC supply, and over time undermine economic development in the region.  

Resource nationalism is moderate in Argentina, but still persists. This country experienced an energy crisis in 2004, and in order to prevent future crises, Argentina’s government initiated a set of energy sector reforms, including the establishment of a new state-owned energy company Energía Argentina S.A (Enarsa), incentives for greater investment in downstream infrastructure, and plans to eventually liberalize energy prices. ENARSA has 51% of the shares, and the objective is to recover some capacity of increasing the country’s oil reserves, which have been dropping during recent years. Currently, the company is carrying out exploration activities in a joint-venture with Petrobras and PDVSA.

On the other side of the coin, there are countries with more moderate policies. In Peru the opening benefits private capitals and the increase of production in order to intensify the effects of the prices and quantity. This country has implemented a business policy, but not a coherent national energy policy, since each of the companies takes decisions on the basis of its own managerial strategy.

Colombia’s energy sector is based on an open policy on oil exploration. Oil is the country’s largest foreign exchange earner. The industry has attracted foreign investment from leading multinational energy companies because it facilitates private investments through a direct negotiation process on a first come, first serve basis.

In the case of Brazil, since the 50’s the government has considered its motto “the oil is ours”, which is the reason for Petrobras’s foundation as a then state-owned company in order to emphasize the importance of oil national exploitation. The Brazilian government directly owns 54% of Petrobras' common shares with voting rights, while the Brazilian Development Bank and Brazil's Sovereign Wealth Fund (Fondo Soberano) each controls 5%, bringing the State's direct and indirect ownership to 64%. Petrobras continues to hold an almost monopolistic position in Brazil’s energy market. However, the government started the deregulation of the sector in the 90’s, through the institution of the law N. 9.478, which opened Brazil’s oil to foreign investment. This reform has attracted the attention of a number of foreign investors to the country’s oil resources.

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61 ORGANISMO SUPERVISOR DE LA INVERSIÓN EN ENERGÍA Y MINERÍA (OSINERGMIN), Estrategia para el desarrollo del sector energético del Perú, retrieved on April 2011. http://www.osinerg.gob.pe
64 In 1997, the law made Petrobras a semi-public company by opening it to private investment. In addition to having majority voting rights, the Brazilian government also controls the Petrobras board, with the right to appoint seven of its nine directors.
Regarding the alliances of the energy nationalism countries with non-traditional partners, Venezuela’s strategy is an example to consider. While US involvement in Latin America has been confusing to countries like China, Iran and Russia recognize the strategic importance of Latin America and started building broad relationships in very systematic ways. These new alliances with Venezuela are frequently detrimental to American interests and may also disrupt the stable and secure access to energy resources if the oil trade links are strengthened. For example, China has had a growing presence in Venezuela since 2003 after helping PVDSA to recover from a prolonged labor strike. In April 2010, China announced a $900 million heavy crude production project with Venezuela and the China Development Bank signed a financing agreement to loan Venezuela $20 billion.65

Chavez is giving preference to state-owned rather than private-owned multinational corporations. Therefore, the future of the exploitation of hydrocarbons is increasingly in hands of state companies of the area, led by PDVSA, also in other state companies of other producing countries, already committed with energy nationalism, such as Gazprom of Russia or the NIOC of Iran.

The energy markets in Latin America are generally characterized by government intervention. Thus, the sector is being dominated by companies that either had or have support from their governments, because even private energy companies have always been under some control by the State considering the relevance of the energy sources and its correlation with services, trade, domestic consumption and the goal of modernization in some of those countries.

State-owned enterprises control approximately a third of global oil and gas reserves and almost the same proportion of current production capacity. Consequently, the energy market is widely seen as an entity beyond the reach of international cooperative measures. “It's a problem that private, international oil companies find it difficult to develop reserves,” according to Claude Mandil, the International Energy Agency's executive director. “Partnerships of state-controlled and private oil companies are needed, but the way to cooperate has not been invented.”66 For that reason, if countries like Korea and its private companies are interested in developing projects with some Latin American companies who are under strict State control, they must find the path to improve their competitiveness in a way that will ensure energy security.

5.2 Emerging competition among non-traditional partners

Traditionally, the main partner of Latin America has been the US, although with the phenomenon of globalization, distance and transportation seems to no longer be primary factors for countries or regions when committing to cooperative initiatives. Moreover, every nation has been instructed to take advantage of the new patterns of international division of labor. Since the early 2000s, actors like Russia, Iran, China and India have also made progress in the region.

*Iran* has established ties with various countries in the region. Ahmadinejad has visited Brazil, Nicaragua, Venezuela, Bolivia, Paraguay and Ecuador. The relations between Iran and Venezuela were initially based on oil, and it has also developed to activities such as uranium deposit exploration and

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weapons purchases.\textsuperscript{67} During da Silva’s administration, Brazil supported the Iranian nuclear program that complies with international laws; however the new administration has shown a different position compared to the former administration. Also, Iran is interested in buying Bolivian uranium and lithium.\textsuperscript{68}

\textit{China} has spread its economic and political presence in Latin America. However, trade relations remain low compared to other regions. Furthermore, energy sources from Latin America have attracted Chinese companies to the region, with large amount of investment in the field especially after the world economic crisis. In 2010, several Chinese companies invested in companies with foreign or Latin American capitals, especially in South America. Only in 2010, the Chinese companies directed investments in Brazil for 17.170 million dollars, where 14.340 million dollars were directly in oil, natural gas and minerals.\textsuperscript{69} At the end of 2010, the state company Sinopec announced the purchase of all the assets of the petroleum American Occidental Petroleum in Argentina, for 2.450 million dollars.\textsuperscript{70} Through this agreement, the Chinese entered to the market of Argentinean oil and gas exploration and development for the first time. Furthermore, at the beginning of December 2010 three big Chinese companies (Sinopec, Cnooc and CNPC) signed a series of investment agreements with the Venezuelan PdVSA for 40.000 million dollars until 2016.\textsuperscript{71} China has set up investments and joint ventures with state-owned petroleum and mineral extractive companies such as PdVSA, YPFB (Bolivia), Petrobras (Brazil) and Ecuador.

The majority of the Chinese investments is directed to the non-renewable sector and generates a Chinese lobby increasingly influential in the decisions making of national and subnational politics. In addition, major Chinese investments have increased in the last years, increasing influence in the region, as it is happening in the rest of the world.\textsuperscript{72}

\textit{India}’s trade with Latin America during the last few years has been growing rapidly, jumping from $560.68 million in 1993-94 to $2,971 million in 2003-2004, an increase of more than 430 per cent in 10 years.\textsuperscript{73} India’s large energy enterprises are controlled by the government. India has established significant energy-related stakes in Venezuela and is vigorously pursuing new opportunities in Colombia, Cuba, Ecuador, Trinidad and Tobago, Brazil, and Argentina. The Indian company ONGC Videsh has a presence in the Venezuelan San Cristobal project, has bid for the Junin Norte block, and has discussed the joint construction of refineries with Venezuela.\textsuperscript{74} In contrast with China, trade with India could increase technology transfer since India has a highly developed technology and information industry. This country, as with China, is among the most populated countries in the world and has the same objective in order to continue with the economic growth assuring energy sources.

\textsuperscript{67} Wilner, Alexander, “U.S. and Iranian strategic competition: Iran’s Perceptions of its External Relations and their Implications for Strategic Competition with the U.S. in the Gulf, Sept. 2010 – May 201”, Center for strategic and International Studies (CSIS), May 2011, p. 117.
\textsuperscript{68} En la relación con Bolivia, Irán lleva las de ganar, Infobae, September 2010. http://america.infobae.com/notas/8225
\textsuperscript{69} Brasil: 84,5 por ciento de las inversiones chinas se destina a metalurgia y minería, in Información y análisis de América Latina, Río de Janeiro, April 2011. http://www.infolatam.com/2011/04/14/brasil-845-por-ciento-de-inversion-china-se-destina-a-metalurgia-y-mineria
\textsuperscript{70} Sinopec compra activos Occidental en Argentina por 2.450 mln dlr, Reuters América Latina, December 2010 http://lta.reuters.com/article/businessNews/idLTA SERIES6B907T20101210
\textsuperscript{72} Oviedo, Ibidem, p. 20.
\textsuperscript{74} “Venezuela quiere construir refinerías petroleras con firmas de la India.” El Tiempo, Bogota, Colombia. May 13, 2010, http://www.eltiempo.com
Russia has pledged to strengthen its relations with Latin America. In 2010, different agreements were signed primarily between Russia and Venezuela: oil, defense, nuclear power, agriculture. Also, the Kremlin would support a Russian-Venezuelan development bank to finance oil and gas exploration in Venezuela's Orinoco river basin. In the case of Bolivia, with the second largest natural gas reserves in Latin America, there were discussions on joint venture agreements for exploration of oil and gas reserves. In November 2009, in Brasilia, Medvedev and former President Lula da Silva discussed the development of bilateral ties in oil and gas production, energy, including nuclear power. The leitmotiv for Russia's activism in Latin America in the energy and military realm, can be interpreted as part of its objective to re-emerge as a strong power in the global political scene.

Latin American governments are seeking partnerships with different actors as part of their policy of diversification, taking into consideration the risk of over-dependence on any country, whether that is the US or China. These countries are asserting their independence and emphasizing that they can have effective links regarding the South-South and North-South frameworks, as they integrate into the global economy. Hence, Korea has possibility of obtaining a place in this paradigm, but it also needs to keep in mind that Latin America not only wishes big investments but also the support to accomplish in some countries the de-primarization of their economies.

This simple and brief background of the situation in Latin America has to be analyzed by the Korean government in order to pursue a comprehensive and effective approach to the region. Diversification of demanders is important for these countries and beneficial agreements are expected, for those reasons Korea has to design an innovative strategy that benefits both parts, considering India and especially China have very active diplomacy and great financial and industrial capacity with Latin American nations (in downstream and upstream business), unlike Korea.

6. Factors that could hinder the Korean Energy diplomacy

Taking into account all the aforementioned, there are two factors that could hinder the energy diplomacy of Korea, and consequently restrain a high cooperation on this field.

1) Energy Nationalism

As it has been mentioned, most of the countries with high volume of energy sources the government controls exploration, exploration and production projects. Resource-rich developing regions see the underground resources of a nation as an integral part, de facto and de jure, of the national territorial lands in which they are found. From their view, the sovereign disposition of such resources is part and parcel of the inalienable right of a people’s national self-determination. It is therefore, axiomatic that nations motivated by this form of commercial nationalism would utilize the legal code to exert control over natural resources within their geographical boundaries.

76 Russia boosts relations with Latin America, Moscow Top News, April, 2010. http://www.moscowtopnews.com/?area=listByTag&id=157
78 Idem.
There are two reasons for the processes of nationalization and creation of state companies. The first one, which might be called protection, is when foreign companies are seen as a threat and therefore the need to remove them from the territory. The second reason arises thinking that the needs of the country rely on oil development, therefore, generating changes in the way of how foreign companies should operate.

As some countries in Latin America have moved toward greater state involvement, others have pursued market-based energy policies. These divergent paths have produced incompatibility in the domestic political economies of major exporters and importers. Therefore, Korea has to formulate two kinds of diplomacy in order to have a better participation in the Latin American energy sector, one that faces energy nationalism countries that also are pursuing anti-American union and the other that deals with countries which policies are more favorable to its goal of diversification of partners.

Latin America is an energy emerging market that may provide higher amounts of resources to Korea, while the latter also desires to contribute to a better industrial capacity for the former through AORD. The Asian country has actively tried to approach to the resources in Latin America through diplomacy, but there are some limitations to such approach due to the tendency of increasing nationalization of resources.

Those countries have been executing energy nationalism as a reaction to neoliberal recipes and as a way to protect their most important resources, therefore in order to accomplish effective agreements, the country that needs its resources has to to build a strategy that satisfies Latin American countries. This includes not only creating jobs and helping to improve the industrial sector with technological and financial support, but also by opening their market to Latin American products, since they have always suffered difficulties because of the unbalanced trade.

Until unfavorable treatment is extended to Latin America as part of the developing countries group, difficulties for agreements will persist and at the same time the region will hold on to those measures that for sure are inconvenient to their economic and industrial development. An example of this has been the already mentioned soybean case between China and Argentina.

Countries like China, Russia\textsuperscript{79} or India have pursued effective agreements on the energy sector since there are common factors such as state-owned enterprises, ideological energy diplomacy. However, as Oviedo argues, important Chinese investments in non-renewable resources, particularly in Argentina and Brazil in 2010, have generated a significant change in the financial strategy toward the region, hence it forecasts the continuity of those resources to be exported to China. Nevertheless, in these countries, the “resources dilemma” faces the short and medium term interests. The national and sub-national governments expect to continue increasingly exporting to China, though it is clear that these resources are important to be used for the own benefit rather than to benefit other’s modernization. Obviously this policy is not applied to the renewable resources, where complementarity is seen.\textsuperscript{80}

2) Geopolitical competition in Latin America

In tandem with energy nationalism, geopolitical factors are at work. Political instability in major energy suppliers such as the Middle East and African countries not only disrupts actual energy production

\textsuperscript{80} Oviedo, p. 22.
but also leads to irrational market behavior. Geopolitics is already factored into the current energy prices, but the perception of further disruptions in energy supply lingers.

Energy security has become a primary national agenda item in many countries, and its pursuit involves a security dilemma. Like Korea, competitors such as China and India are trying to negotiate long term supply contracts to ensure supplies in the event of a crisis or supply disruption. Thus, the zero-sum energy game and the resource atmosphere in the region are creating geopolitical rivalries among China, the U.S., India, Japan, and Korea.

China’s and India’s quest for energy has reached Latin America in recent years, a region long considered the backyard of the United States. China and India ought not only to be seen as providing opportunities in terms of markets for energy exports, but also as a source of funding or for tapping new resources — thereby bridging the production gap. Both countries and other emerging economies that are likely to be long-run net oil importers, are promising export markets for Latin American fossil fuels.

Politically, Beijing has so far established four strategic partnerships with Latin American countries: Brazil, Venezuela, Mexico, and Argentina. Beijing’s summit diplomacy in the region in recent years has a clear focus on increasing imports of energy and raw materials from Latin America. For example, President Hu’s 2004 visit to the continent included several dozen high-level energy company executives in his team.

The Chinese government and state-owned firms have been very aggressive in securing energy across the developing world (e.g., in Africa and Latin America). China is known for exchanging enormous economic and political incentives—such as foreign aid for infrastructure construction and exercise of the veto right at the UN Security Council— as valuable instrument of public diplomacy, for political and economic profit.

As mentioned above, Ecuador and Venezuela are major oil producers in Latin America. Korea has signed an agreement with Ecuador to build a refinery and petrochemical complex in Manabí. Korean companies, including the nation’s largest refiner SK Energy, competed with Japanese firms to build the project.81 In 2010, the Korean company SK signed a Front-End Engineering & Design (FEED) contract, which is the first phase of the KRW 14 trillion oil refinery construction project in Ecuador. It is estimated that the project will be completed in 2013. According to SK, through the construction of this new oil refinery, Ecuador will be able to increase crude oil treatment capacity into 500,000 barrels per day, which will contribute in solving the shortage of oil product supply.82 Therefore this kind of action follows the strategic approach model already explained, although, there has been complain that this contract, is not accomplishing the structural problem of the refinery.83 The meeting between Correa and Lee was essential to the reach this contract.

China and India need energy sources to keep their fast growing economies on the track; however, facing shortage in this respect domestically, they are naturally looking into other regions in order to get

access to resources. Competition between these actors looks inevitable as they perforce are targeting the same resource-rich regions. Another actor is Russia, which is dealing with many countries around the region by helping them develop and explore gas and oil fields. The energy business among them and Latin America is led by their governments and a constant ideological rhetoric, principally in the case of Russia. While the PRC benefits from the challenges posed to the dominance of the US in the region by regimes such as Venezuela, Ecuador, and Bolivia, its trade and investment with those regimes help to keep them economically viable.

Latin American governments are not pursuing the same energy policies. Therefore, in order to negotiate with them it is important to examine the political/economic environment in connection with energy development projects, and studying the competition strategies of foreign countries having already launched projects in Latin America. Also, Latin American countries are pondering several aspects: 1) the main purpose of demanders is to serve their nation’s development needs by facilitating the import of the primary resources, 2) the level of investment, 3) government relationships, 4) deals that go beyond AORD since Chinese are already offering something similar, 5) Non-traditional partners appetite for energy sources as well as geopolitical reasons such as the case of Russia.

Hence, Korea should present an energy policy that differs from the Chinese or other new partners, in order to attract the Latin American energy sector, not only looking for their own sake otherwise the nationalistic policies in the region will continue. Latin America can be a stable and reliable supplier, particularly when compared with the volatile and unreliable countries in the Middle East. This indicates that building an energy partnership through active diplomatic ties that involves all the aforementioned factors could be promising as long as the profits are balanced for both partners.

6. Concluding remarks

Korea’s energy policy toward Latin America has to consider Latin America’s perception of Korea as well as what the real interests of these potential partners are. While there is a reciprocal ignorance and lack of a sufficient number of specialists from both sides, there are a few political elements that may help to develop more deeply the relationship. The commercial and diplomatic links are low, but their continuous development is promising.

A positive aspect is that in a globalized world geographic distances are not as important since transportation is effective and efficient, although there are other areas where Korea could get faster the supplies, as is the case with the Middle East. In fact, due to continuous political and military conflicts Latin America seems to be a more reliable energy partner.

In a general perspective, energy/resource nationalism is a limitation to the maximization of natural resources, since is used as a political tool that might affect a country’s economy. As mentioned, this measure has been executed in Latin America in order to protect its own resources as a way to assure energy security and as political expression of sovereignty, aspect that slow-down the relationship with demanders and possible investors.

Regarding the geopolitical aspects, Korea has to face other regional competitors such as China and India. China is the main challenger through high-leverage diplomacy and big amounts of investment in order to obtain important energy links.

Energy nationalism and geopolitical rivalry hinders the energy relationship with between some Latin American countries-which are the main producers in the region- and Korea. With a comprehensive
strategy through active diplomacy along with improved financial and industrial capacity those challenges could be overcome, considering the needs of Latin America. In this way, Korea could achieve its objective of energy security in the region.
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