




Opinions

A Proposal for Building Triangular Energy Cooperation between Korea, Iran and Turkmenistan



LEE Kwon Hyung

Ph.D., Head of Africa and the Middle East Team

Korea Institute for International Economic Policy 

Korea has developed bilateral relations for economic cooperation with emerging countries in the Middle East and Central Asia. G2G (government-to-government) joint committees have been organized to improve the economic environment for trade and investment between two countries. However, bilateral economic partnership could reveal some limitations in developing broader cooperation due to the industrial and geographical peculiarities of partner countries.

Turkmenistan is such a case. There is a huge imbalance between exports and imports since it cannot export LNG to Korea, despite it possessing the 4th largest reserve of natural gas, given its geographical features as a landlocked country. Such features can become obstacles against sustainable and more diversified cooperation between Korea and Turkmenistan.

Triangular cooperation with Iran, a neighboring country of Turkmenistan, could help establish a broader cooperative basis, on which diverse projects could be promoted between the three countries. Iran is an emerging country with a large domestic market, blessed with affluent natural resources including oil and natural gas. Moreover, investment opportuni-

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ties in Iran are increasing after the international community's sanctions on Iran were lifted in 2015.

In particular, energy cooperation can be proposed in the form of a trilateral partnership, although many other sectors deserve such review as well. This is beneficial to all three countries. Korea can diversify imports of natural gas, strengthening its energy security. The two gas exporting countries can expand their share in the Korean gas market. They have to pioneer the East Asian market under the recent conditions where North American countries are actively developing shale gas reserves.

Two kinds of cooperative schemes can be considered. One is gas to gas trade. It is not possible for Turkmenistan to export LNG since it is a landlocked country. Thus the parties could make an agreement that Iran exports LNG to Korea in return for Turkmenistan exporting gas to the north-eastern region of Iran. But it would be difficult to realize such a scheme in the short term because Iran does not yet have LNG export facilities. The construction of an LNG export terminal would be a joint business opportunity that should be explored between the three countries with the help of multilateral development banks. The other is gas to oil trade. This is a scheme where Iran exports oil to Korea rather than gas in return for Turkmenistan's gas exports to Iran. But it will be necessary to reach a trilateral agreement on gas-oil exchange between the three governments.

The triangular energy cooperation could contribute to stable and sustainable energy trade irrespective of fluctuation of oil and gas prices in the global market. It also could create other development projects in upstream and downstream sectors as well as development of infrastructure such as roads, railways, ports linking Iran, Central Asia and Russia. In the process, Korea may participate in development projects using building techniques and experiences gained since the early 1970s in the Middle East region.

Policy coordination between governments is necessary for the successful promotion of trilateral cooperation proposed above. First, high level governmental dialogue should be activated to discuss and monitor energy trade between the three countries. Second, the three governments should explore business opportunities in the sector with private companies. As mentioned before, joint development projects or joint venture could be discussed to expand trilateral cooperation. Third, sovereign wealth funds, as well as financial resources in multilateral development banks, should be mobilized to establish a joint development fund that can be utilized for development projects.

Triangular cooperation cannot be the solution to all the limitations of the bilateral relations, but could be a channel to make more diversified cooperation possible. Korea can also suggest a shared growth and long-term partnership through the promotion of trilateral cooperation. In particular, triangular cooperation or multilateral cooperation could contribute to the identification and realization of the business potential in the Middle East and Central Asia. **KIEP**