

A New Chapter in Iran- Korea Relations

Ziba FARZINNIA

Director of the East Asia Studies Group
Institute for Political and International Studies, Iran

Ms. Ziba FARZINNIA is Director of the East Asia Studies Group at the Institute for Political and International Studies (IPIS) in Tehran, Iran.

[Editor's Note] Following the historic Iran nuclear deal last year, South Korea and Iran are rapidly expanding their cooperation into new areas. JPI PeaceNet asked East Asian expert Ziba FARZINNIA to explain how cooperation between two countries can promote not only their economies but also greater security in Asia. An earlier version of her essay was presented at the 1st IPIS Roundtable with the Asan Institute for Policy Studies, the Jeju Peace Institute, and the Korea Institute for International Economic Policy, held in Tehran, Iran, on May 31st, 2016.

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Developments in Asia and the region's future prospects have been major topics for debate in international politics during recent years. Asia enjoys special importance in the world today due to its political and economic trends, and its importance will continue to grow. Iran will increasingly pay special attention to Asian countries due to its own economic plans and capacities.

Iran can act both as an energy supplier and corridor for the region. East and South Asian countries including China, Japan, South Korea, and India have high energy demands and import Iran's crude oil to supply part of their energy needs. Additionally, due to its location, Iran can act as a link connecting Central Asia, South Asia, and West Asia to the Middle East, which provides opportunities for extended cooperation among all Asian countries.

With this in mind, Iran can play a major role within the framework of Asian energy security. Iran has significant oil and gas reserves and deep experience in energy fields. Considering its position in the Persian Gulf, Caspian Sea, and as neighbor to Central Asia, Iran is able to connect the energy reserves located in the south, east and northeast of the country to Asian consumers via pipeline.

Towards Greater Cooperation

After the lifting of international sanctions earlier this year, companies from all over the world have

been scrambling to enter the Iranian energy market East Asian states are among them. China's President Xi Jinping visited Iran in January 2016 and Japan signed an investment treaty with Iran a month later.

Iran needs to cooperate with other countries in order to achieve its economic growth targets. Looking forward, Iran-South Korea cooperation will have economic benefits for both countries. As President Park recognized, “Korea's economy is heavily dependent on the United States and China, which may make us lag behind in new environments.”¹⁾ Park suggested that South Korea “... should further strengthen efforts to explore new markets in ... Iran to survive in the rapidly changing global trade environment,” and as a measure to make inroads into important new markets.²⁾ Construction, automobile, petrochemical and infrastructure sectors were cited among the areas that could benefit South Korea the most. About 680,000 jobs will be created through closer ties with Tehran.³⁾ Park also noted that South Korea should diversify its export items and encouraged small and medium enterprises – which are generally more domestic-market oriented –to penetrate overseas markets, offering government support to companies doing so.⁴⁾

Creating a link between Iran and South Korea in areas of mutual interest will not only boost their economies, but will also promote greater security in Asia.

President Park's Iran Visit

Recognizing the potential for cooperation, President Park made a state visit to Iran in early May 2016. The visit focused on creating a platform for cooperation, and concluded in the signing of a joint statement between President Rouhani and President Park, marking the first such statement since the two countries established diplomatic relations in 1962.⁵⁾ The statement is an important milestone in promoting Iran-Korea cooperation, which became somewhat estranged during the period of international sanctions. The statement outlines goals and presents a roadmap for enhancing collaboration across a wide range of areas, including (1) cooperation on political affairs (2) economic cooperation (3) cultural collaboration (4) education and tourism (5) regional cooperation on the Korean Peninsula and in the Middle East and (6) collaboration on judicial matters and security.

The two presidents endorsed the goal of building a nuclear-free world and reaffirmed their

1) “Iran deals will spur economy: Park,” The Korea Times, May 11, 2016.

2) Ibid.

3) Ibid.

4) Ibid.

5) For more information, see Kim Ji-myung, “Korea-Iran relations: 1974 and 2016,” The Korea Times, May 6, 2016.

commitment to the Nuclear Non-proliferation Treaty and denuclearization, expressing support for endeavors to that end. In addition, the two sides expressed a shared understanding that nuclear development could never promote security and emphasized that peace and stability on the Korean Peninsula had to be maintained. To that end, Iran expressed support for the Korean people's aspirations for peaceful unification of the peninsula.

The joint statement also included the holding of annual foreign ministers' meetings and joint economic committee meetings, concerted efforts to expand bilateral trade, the promotion of financial cooperation, the designation of 2017 as the year of Korea-Iran cultural exchanges, and the strengthening of judicial cooperation.⁶⁾

An economic delegation of 236 business leaders accompanied President Park on her state visit, laying a viable foundation for Korean businesses to engage the Iranian market. During the visit, a total of 66 MOUs that could lead to deals worth about 42 trillion won (US\$37.1 billion) were signed, marking Korea's most significant act of economic diplomacy.⁷⁾

In terms of trade volume, President Rouhani proposed that the two countries work together to increase trade to reach more than US\$30 billion within five years. President Park said Korea had come up with a financial package worth US\$25 billion for joint infrastructure projects in Iran, the largest amount Korea has ever presented to another country.⁸⁾

President Park proposed further expanding cooperation to cover healthcare, information and communications technology (ICT) and new energy industries. In reply, President Rouhani expressed hope that the two countries would be able to work together in such areas as electric vehicles, agricultural machinery, garbage disposals and a sewage treatment system. President Park suggested that the two states actively cooperate not only in electric vehicles but also eco-friendly energy towns and seawater desalination.

Going Forward

President Park was the first Korean head of state to visit Iran since diplomatic ties were established in 1962. This was a pivotal trip for President Park to boost Korea's economy and provided new opportunities for development projects in Iran. On her flight back to Seoul, Park told reporters: "I believe Iran can become a land of opportunity for many South Korean firms ... I will make efforts

6) "Korea's largest-ever achievement in economic diplomacy with Iran," Tehran Times, May 10, 2016.

7) Ibid.

8) "South Korea to invest \$25b in Iran," Tehran Times, May 2, 2016.

to the second Middle East boom.”⁹⁾

Korean companies have had a good record in various sectors of Iran’s economy, especially in the oil sector. The performance of Korean firms in Iran’s downstream and upstream oil industries has been quite remarkable. This is a critical sector for South Korea to maintain and develop, considering that Iran boasts the world’s fourth largest proven oil reserves and has the second largest natural gas reserves.

Going forward, however, it is also necessary for South Korean engagement with Iran to account for Iran’s more recent advancements. Despite being known for its energy deposits, Iran has also attained new capabilities in different industries, including scientific, financial, and marketing sectors. Noting that Iran is now self-sufficient in many sectors, officials have confirmed that South Korea’s engagement will reflect Iran’s advancements instead of treating Iran as mere destination for its products.¹⁰⁾

First, Iran has made good progress in scientific fields such as nanotechnology and biotechnology. The two sides could exchange their experiences in this field. Iran is also pushing large-scale infrastructure development projects to rebuild its economy that was hampered by international sanctions. Second, Iran is now trying to open up a new chapter of cooperation with Korean companies in investment and marketing sectors. South Korea is known in Iran for such brands as Samsung, which has outperformed Apple and Hyundai and Kia, both of which have been serious rivals to Japan’s Toyota. Lastly, an important aspect of South Korea’s new opening to Iran is in the realm of banking, which was recognized by South Korea’s former ambassador to Tehran, Song-Woong Yeob: “the two countries have good banking interactions that have resulted in boosting economic exchanges between Seoul and Tehran.”¹¹⁾ These are just three examples of areas for greater future engagement.

As demonstrated, there is great potential for cooperation between Iran and South Korea. Iran can play a key role in the energy sector, thus boosting Asia’s energy security and shoring up South Korea’s economy. At the same time, there is also potential for cooperation in areas as diverse as marketing and banking. President Park’s productive visit to Tehran provides a strong political foundation for deepening ties. These advancements signal a new chapter in Iran- Korea relations which will bring many opportunities to both sides of the relationship.

9) “Iran is land of opportunity: Park,” The Korea Times, May 4, 2016.

10) “Official says South Korea to make its presence in Iran different,” IRNA, May 4, 2016.

11) Kaveh L. Afrasiabi, “South Korea’s New Opening to Iran,” Iran Review, May 2, 2016, <http://www.iranreview.org/content/Documents/South-Korea-s-New-Opening-To-Iran-2.htm>.

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