

COOPERATION BETWEEN UZBEKISTAN AND SOUTH KOREA IN THE FIELD OF ENERGY

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ABSTRACT

In this work, we are going to study energy cooperation between South Korea and Uzbekistan and we give more information about energy aspects of our case study. First of all, there considered about Uzbekistan's energy potential and its details. After that there given about interests of other countries in this region. For example, presence of China and Russia, there are some specific details were given that each state has own role and place in this region, because COOPERATION BETWEEN UZBEKISTAN AND SOUTH KOREA IN THE FIELD OF ENERGY their interests would not impinge among this Central Asian region. More specifically, For Uzbekistan accepted all states as investing partner and their investing areas are differ from each other. Therefore, in this chapter we clarify the question of interests of other countries in Central Asian region as resource rich area.

Status of Uzbekistan's Energy Resources. Uzbekistan is one of the energy rich country. Uzbekistan has an area of 447,400 square kilometres and it is third largest by area and first largest by population among the Central Asian countries. Moreover, Uzbekistan is sixth largest producer and second largest exporter of cotton and the fifth largest producer of gold in the world. That is also a regionally essential producer of natural gas, coal, copper, oil, silver and uranium, it takes tenth largest in the world. According to statistical fresh data which confirmed by BP as of June 2020, Uzbekistan's oil reserves reach 0.6 billion barrels, natural gas 1.2 trillion cm and proven coal reserves 1375 million tons [1]. However, at the same time, Uzbekistan is an agrarian-industrial country. The industrial complex is dominated by the mining sector. In additionally, about 100 underground resources are deposited in approximately 2700 areas of Uzbekistan. The breadth of Uzbekistan's energy resources has gained it much attention in the world economy [2]. The importance for improvement lies behind the development of foreign economic cooperation, related to the attraction of foreign investments, as well as the expansion of foreign trade. The country's leadership pays special attention to the implementation of projects to increase gas production capacity and export supply, which in no small measure will contribute to the socio-economic development of Uzbekistan.

This landlocked country did not push forward oil and gas exploration and exploitation until international energy prices overpriced in 2004. This stimulated a race for energy exploitation around the Caspian Sea that first began in the energy-rich countries of Kazakhstan and Azerbaijan, and then moved into Uzbekistan. Now in Uzbekistan, the energy industry is the second largest industry, accounting for 11.5 percent of the total export. Among the fifteen states of the old USSR, Uzbekistan has the third largest reserves of natural gas (Russia is the first with 1,680 trillion cubic meters and Turkmenistan is second with 71 trillion cubic meters), which estimates for 2 percent of the world's natural gas reserves. Gas production has recently increased at a gradual pace in Uzbekistan. Apart from its domestic consumption, almost all of its gas production is exported to Kazakhstan, Kyrgyzstan, and other Central Asian countries.

The accounted Uzbekistan's gas reserves of are 5.5 trillion cubic meters, which is the tenth largest in the world. Its major gas fields, which account for 95 percent of its gas production, are located in its southwestern region. In 1992, Uzbekistan produced 59 million cubic meters of gas. In 2005, however, it produced 59.7 billion cubic meters of gas. All in all, Uzbekistan has more than doubled its oil production since 1991 to become essentially self-sufficient in petroleum and, since 1996, a net exporter of petroleum as well [3].

There are major oil refineries in Uzbekistan: Fergana, Alty-Arik, Bukhara, Khiva. In Bukhara the 50,000-barrels-per-day-capacity facility, it was built after the breakup of the Soviet Union at a cost more than \$400 million and is being expanded to a capacity of 100,000 barrels per day with the ability to handle both crude oil and gas condensate. According to O'ZDAVENERGONAZORAT INSPECTION (Agency for Energy Resources of Uzbekistan) Other oil fields such as Sukhan-Kariya, North Ustyurt and Gissar are investing by foreign investment and preparing to exploitation [4].

The status of energy resources of Uzbekistan takes one of the main places among Central Asian countries. Above given information says that Uzbekistan's energy potential is not only supply domestic consumption but also foreign consumption. That is why government of Uzbekistan attracts foreign investment for this sphere. The importance for improvement lies behind the development of foreign economic cooperation, related to the attraction of foreign investments, as well as the expansion of foreign trade. The country's leadership pays special attention to the implementation of projects to increase gas production capacity and export supply, which in no small measure will contribute to the socio-economic development of Uzbekistan.

Preference for Russia and China. The period of recovery in the Russian-Uzbek interaction in the oil and gas industry began in 2004. Although the Russian concern Gazprom and the National Holding Company Uzbekneftegaz signed an agreement in December 2002 to supply 5 billion cubic meters of natural gas to Russia by 2012 with a gradual increase in volume to 20 billion cubic meters, a real breakthrough in cooperation, nevertheless it happened at the beginning of 2004, when Gazprom directly dealt with all issues of purchasing and transporting Uzbek gas. If in 2003 ITERA bought only 1.3 billion cubic meters of gas in Uzbekistan, in 2004 Gazprom purchased from Uzbekistan 7 billion cubic meters of gas, in 2005 - 8 billion cubic meters, in 2006 - 9 billion, in 2007 - 10.5 billion, in 2008 - 13.8 billion, in 2009 the agreed volume of gas purchases should reach 16 billion cubic meters. Approximately since 2003, the Russian-Turkmen relations have normalized, which led to a significant increase in the volumes of pumping Turkmen gas through the territory of Uzbekistan: from 5.2 billion cubic meters in 2003 to 47 billion cubic meters in 2008. No less important is the fact that since 2004, the supply of Turkmen gas to Russia / Russia began to be carried out on a regular basis. It coincided that from 2004-2005 the conditions began to take shape for the resumption of regular supplies of Russian oil to Uzbekistan. The fact is that the volume of oil production in the Republic of Uzbekistan since 2004 began to decline, while oil consumption only increased. If in 2003 the oil production in the Republic of Uzbekistan was approximately at the level of 1997 (about 8 million tons), then in the future the volume of its production began to decrease year by year and in 2008 amounted to only about 4.8 million tons. As a result, starting around 2006, Uzbekistan was forced to resume official purchases of some oil in Russia and Kazakhstan. The period 2004-2006 became a turning point in terms of Russian-Uzbek cooperation in the development of

hydrocarbon deposits. It was during this period that the design and investment activities of the largest Russian oil and gas companies - Gazprom and LUKOIL - begin in Uzbekistan. Gazprom was engaged in the development of old (discovered in Soviet times) and exploration of new deposits in the Ustyurt region of Uzbekistan, and LUKOIL - exploration and development of new deposits in the Bukhara-Khiva region and in the Uzbek part of the Aral Sea. In general, after the collapse of the USSR and until the end of 2003, the interaction between Russia and Uzbekistan in the oil and gas industry has experienced a period of decline, limited only to small volumes of Uzbek supplies and the transit of Turkmen gas to Russia / Russia through the existing pipelines. However, since 2004, Russian-Uzbek cooperation in the oil and gas industry has entered a period of recovery and began to develop intensively. It seems that this was largely due to the strengthening of the Central Asian vector in Russia's external strategy with the coming to power in Moscow of a new leadership headed by V.Putin. Another, no less important reason, of course, was the steady growth of prices for hydrocarbons until 2008. At present, Russian companies such as Gazprom and LUKOIL, as well as the Soyuzneftegaz financial and industrial group and subcontractors participating in the projects of the above-mentioned companies, are actively working in the Republic of Uzbekistan. If in the 90s of the 20th centuries, Russian investments in the oil and gas industry of Uzbekistan were virtually non-existent, at the beginning of 2009 they amounted to \$ 895 million to \$ 905 million. The total amount of investments that Russia intends to invest in the oil and gas industry of Uzbekistan until 2012, presumably may be from \$ 4.7 to \$ 6.2 billion. These funds are planned to be directed to projects on geological exploration and development of oil and gas fields, as well as to the modernization of the pipeline infrastructure. Given the limitations of both technological and financial capabilities of Russian companies, Uzbekistan in recent years has made efforts to attract his oil and gas industry companies from Asian countries - China, Malaysia, Korea, Singapore, Japan, which possess modern technologies and financial resources. The emerging presence of China in Uzbek energy sector and current operation and investment policy can describe with following facts. The rapidly developing economy of Uzbekistan, its favorable geographical location in the centre of the region, modern transport communication, a reliable strategy for attracting investments raise the interest to cooperation with representatives of business circles of China. Over the years, the China has become one of the key economic partners of Uzbekistan, a major investor and an interested participant in the programs implemented in Uzbekistan on structural transformation and modernization of the economy. Within the framework of the visit of the President of Uzbekistan Shavkat Mirziyoyev to the China on May 11-15, 2017, there were talks with the leadership of Beijing. Within the framework of the state visit, the countries signed 105 documents on cooperation for a total amount of about 23 billion dollars.

Both sides will develop cooperation in the field of transport, technologies, hydropower, oil and gas industry and in the humanitarian sphere. There was mentioned that China is one of the leading states that make large investments in the economy of Uzbekistan. The country has more than 700 companies and enterprises with Chinese capital. Over the past years, Chinese investors invested about 7.8 a billion dollars of investment.

According to 2016 statistical information, the volume of mutual trade between the countries was 4.25 billion dollars. In the Chinese market, demand for manufactured in Uzbekistan

increases textile, agricultural products, plastic products. China highly appreciated the dynamics of Uzbekistan's economic development and large-scale structural changes and expressed interest in development of cooperation in the sphere of high technologies, in particular, by creating industrial and technological parks. At the expense of Uzbekistan, China seeks to strengthen its geopolitical Central Asia. Chinese companies are showing interest in the oil and gas, energy, chemical industry, develop deposits in Fergana Valley and on the bottom of the Aral Sea, build gas processing plants. By the statement of the CNPC management "by the end of 2019 the Chinese company plans to extract on the territory of Uzbekistan to 1 billion cubic meters. gas per year. During the period 2014-2019 in prey gas will be additionally invested \$ 277 million"[5].

The interest of Chinese companies is focused on several sectors of the Uzbek economy, primarily - the fuel and energy sector and related industries: oil and gas, electric power, and chemical. The total volume of Chinese financial resources in Uzbekistan is estimated at least \$ 640 million (of which up to 85% falls on the fuel and energy sector), including \$ 167 million of loans and \$ 473 million of investment [6].

The interests and role of Russia and China in Central Asian region, in particular, Uzbekistan are important. Because both of them have diplomatic ties, investing almost all sphere of energy industry. The primary role in this will also be played by China's investment in countries Central Asia, which are an important source of energy and a market for China. With the capabilities of the People's Republic of China and such a unique economy. In addition, from all the above can be concluded that Beijing's influence in this region today growing.

Perspectives of cooperation between South Korea and Uzbekistan. In central Asian region, the interests of big actors are face up beyond energy resources. However, each of them has own way of cooperation and role in the region. For instance, Cooperation between Uzbekistan and South Korea upon energy sector, there is some specific achievement of both countries. Despite of interests of Russia, China, EU and others. According to statistics, at present, there are 461 enterprises with the participation of Korean capital in the Republic of Uzbekistan, 386 joint ventures and 75 enterprises with 100% Korean capital. Despite the fact that it was the last in the energy sphere and was delayed due to the Asian crisis, a new century was marked by a more persistent economic upturn. Initially oriented towards Uzbekistan, over time, South Korea expanded its range of interests in Kazakhstan. Despite losing a stake in the Uz-Daewoo automobile plant in the Fergana Valley and the Babool Textiles factory, South Korea remained the main investor in Uzbekistan, investing more than \$ 1 billion in areas other than gold, tungsten, coal, electronics, the local banking market and, most importantly, most importantly, the energy field. In 2006, Uzbekneftegaz and the National Oil Corporation of Korea and the Korean Gas Corporation signed a Memorandum in which two Korean companies granted exclusive rights to explore and develop two oil and gas fields in Chust-Pape and Namangan-Terachi (ibid.). Several years later South Korea KOGAS and Uzbekneftegaz signed an agreement on joint exploration of the Surgil gas sector on the Ustyurt plateau in Uzbekistan (ibid.). In addition to interest in the hydrocarbons of Uzbekistan, Seoul also sought to reduce its dependence on uranium imports. In this respect, Korea Resources Corporation is developing a deposit of Zhantuar. In 2008, Korea Electric Power (KEPCO) signed an agreement on the purchase of 2,600 tons of uranium (approximately 9 percent of South Korea's total consumption)

by 2015. Logistics and transport also take a prominent place in the Uzbek-South Korean relations. The main project was the "Navoi" project in central Uzbekistan, where Tashkent created the Free Industrial Economic Zone (FIEZ). The Hanjin Group, a large South Korean conglomerate specializing in cargo transportation (and parent company Korean Air), founded its base there to make the city an important transportation hub in Asia. The location of this project is Daewoo has suspended its projects in the automotive sector in Andijan, Uzbekistan, as well as in the Kazakhstan telecommunications sector in 1998. It is especially important, since the Free Economic Zone of Navoi is on a large amount of gold and uranium [7].

From this research we come to sum up that there is not impinge of interests of countries in Central Asian region. Because they have own direction and role in this region. For instance, Russia presence of this region and investment projects differ from others and there are some weak sides also, lack of high technologies. However, China and South Korea with their technological and investment potential take high places and their direction and cooperation is not like competition. If we come to theory and case study, we can say that from given examples we could not notice role of using forces in modern era and hierarchical condition is not so active noticeably. But relations by multiple channels is playing significant role in this case.

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