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South Korea's Middle East Policy

Alon Levkowitz

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South Korea's Middle East Policy

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South Korea's Middle East Policy

Alon Levkowitz

EXECUTIVE SUMMARY

South Korea's relations with the Middle East have changed throughout the years, from passive and indifferent to extensive and diverse. In the 1950s, South Korea's top interests did not include the Middle East, but with the development of the South Korean economy, the region's significance to Seoul increased markedly. South Korea must cope with a Middle East that offers billions of dollars' worth of contracts for South Korean companies and, at the same time, is unstable due to wars and domestic turmoil.

South Korea's Middle East policy balances political neutrality with a cautious policy towards Israel, as Seoul is concerned that political support for Israel will jeopardize its positive standing in the Middle East. The billions of dollars of contracts with the Middle East, mainly the Persian Gulf states, are too important for Seoul to risk on Israel. Military cooperation between the two countries has grown significantly, and will continue to improve as long as the United States does not constrain it.

South Korea's Middle East Policy

Alon Levkowitz

INTRODUCTION

South Korea's relations with the Middle East have changed throughout the years, from passive and indifferent to extensive and diverse. In the 1950s, South Korea's top interests did not include the Middle East, but with the development of the South Korean economy, the region's significance to Seoul increased markedly.

This study will analyze the changes in South Korea's foreign policy towards the Middle East, and discuss the factors and constraints that have influenced these policies throughout the years. It will also explain how South Korea copes with a Middle East that offers billions of dollars' worth of contracts for South Korean companies and, at the same time, is unstable due to wars and domestic turmoil. This study will also discuss Seoul's policies towards the Middle East, which balance local and global interests.

South Korea-Middle East relations deserve greater attention. The academic literature and media coverage have focused on the security relations between North Korea, Iran, and Iraq, particularly on nuclear and missile cooperation between these states, while disregarding South Korea's relationship with the latter two states. The huge disparity between South Korea and North Korea's trade with the Middle East also indicates the need to address South Korea-Middle East relations.¹ For example, in 2011 North Korea's total global foreign trade (export and import) was \$9.03 billion.² That same year, the bilateral trade between South Korea and Iran alone was \$17.4 billion.³ Another economic factor is the rising number of South Korean companies doing business in the Middle East, mainly in the Persian Gulf, while there are no North Korean companies working in the region. The development of the South Korean economy

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increased the Middle East's importance to Seoul, due to an increasing need for oil and gas imports from the Persian Gulf.⁴ Table 1 demonstrates the economic importance of the Middle East states for South Korea, in comparison to other states in different regions. This study discusses how the South Korean government has handled the "Arab Spring" and Iranian nuclear crises.

TABLE 1: SOUTH KOREA'S BILATERAL TRADE IN 2012 (\$ BILLION)⁵

China	US	Saudi Arabia	Russia	Germany	India	Iran	UK	France
215	101.8	48.8	22.4	21.6	20.6	14.7	11.2	7.5

Part one of this study briefly presents the internal and external constraints that influence South Korea's Middle East policy. Part two discusses the security relations between South Korea and the Middle East, and the dilemmas that Seoul faced in the past when sending troops to the region. Part three analyzes South Korea's political and diplomatic relations with the Middle East. Part four discusses the evolution of South Korea's economic interaction with the Middle East. The final part looks at South Korea's relations with Israel, and assesses the potential of economic and technological cooperation.

THE PILLARS OF SOUTH KOREA'S FOREIGN POLICY

South Korea's foreign policy is influenced by five internal and external constraints that have shaped the decision-making process of its Middle East policy:

1. **The North Korean threat:** North Korea has long been an important factor in South Korea's foreign and security policy. The constant threat from Pyongyang has influenced Seoul's security and foreign policies throughout the years, including its Middle East policy, and relations with its allies.
2. **The alliance with the United States:** The alliance with the United States, which defends South Korea from the North Korean threat,

has been an important pillar in South Korea's defense and foreign policy throughout the years.⁶ This has influenced Seoul's policy towards the Middle East, especially when Washington requested Korean troops in Iraq during the Gulf Wars of 1991 and 2003, and more recently when it asked Korea to implement sanctions on Iran.

3. **The economy:** The development of the South Korean economy was an important factor that influenced relations between South Korea and the Middle East, as it led Korean companies to search for markets outside of Korea. The Middle East, mainly the Persian Gulf and North Africa, became a favored market for South Korean companies due to the increased number and volume of projects they won there. The second economic factor was the increasing need for energy to fuel the development of the South Korean economy, which caused Seoul to become dependent on the Persian Gulf for its oil and gas needs.

4. **Self-perception and status:** South Korea has attained political, economic, and military power throughout the years, which has changed its self-perception regarding its regional and global status. If Seoul had focused mainly on East Asia and the US until the 1970s, from the 1980s it began reaching out to other regions and international organizations as well. This change brought with it the understanding that South Korea had become an important player in the global arena. Since the 1990s, South Korea has debated the meaning and essence of its new global role as a "middle power."⁷ The debate on the role that Korea should play in regional conflicts includes the Middle East.

5. **China:** Since the establishment of diplomatic relations between China and South Korea in 1992, the economic relations between the two states improved. China has become South Korea's biggest trade partner,⁸ and trade with China is an important leverage on Korea's economic policy in Asia. Beijing's close relations with North Korea and its leverage on Pyongyang increase the importance of its influence on Seoul's foreign and security policy in Asia. Currently China's influence on Korea's Middle East policy is relatively low in comparison to other factors, but will eventually increase due to rising competition on energy supply from the Middle East – with Japan in the mix as well – and an increase in China's diplomatic and strategic role in the region.

SECURITY

South Korea's security relations with the Middle East were very limited until the 1990s. Seoul did not perceive military involvement in the Middle East as serving its political and economic interests, but rather as a detriment. Until the 1990s, security relations with the Middle East included only limited military and intelligence cooperation. An example of military cooperation is the military officers course that the Israeli Defense Forces held in Israel for South Korean military officers in the 1970s. Two decades later, one of these officers became the national security advisor to the South Korean President.⁹

Korea's first military involvement in the Middle East was during the first Gulf War, which posed a dilemma for Seoul. Washington requested that Seoul send military forces to join the operation to free Kuwait from Iraqi occupation. Until then, the only time that South Korea had sent military forces outside of Korea was during the Vietnam War – to assist the US forces during the Cold War era – under Park Chung-hee's presidency.¹⁰ The global arena and the Korean political arena in 1991 differed completely from the Vietnam War era.

Rejecting President George H. W. Bush's request to assist Washington in Operation Desert Storm might have adversely affected the alliance between Seoul and Washington, since American forces were – and still are – stationed in South Korea, and Seoul was expected to consent to Washington's request, as its protected ally. Moreover, the military operation to free Kuwait from Iraqi occupation was defined as a collective security action by the United Nations Security Council (UNSC), as it was during the Korean War. The UNSC resolution legitimizing the military operation meant that South Korea had to send forces to Iraq if it wanted to be perceived as an important player in the global arena, and if it wanted the future assistance of the UNSC against North Korea. Seoul had to consider the implications of its involvement in the war on the Arab world, even though it was legitimized by the UNSC. Would the Arab world perceive South Korea as taking sides, costing Seoul the political neutrality that allowed it to trade with Middle Eastern states?

Because of the overwhelming global support the US received, and the 34 countries that sent military forces to the Persian Gulf to assist the UN forces, Seoul was able to cope with the pressure from Washington to participate in the war. Korea eventually sent only 341 soldiers – for logistic assistance – who did not participate in combat. Seoul was able to participate without being labeled by the Middle East as siding against the Persian Gulf states and shattering its “relatively ideal neutrality” – and without clashing with Washington.

South Korea’s second military involvement in the Middle East was during Operation Iraqi Freedom in 2003. International legitimacy in this case was more limited than the 1991 Gulf War, which is why Washington intensified the pressure it exerted on its Asian allies, South Korea and Japan.¹¹ Washington demanded that Seoul and Tokyo send significant military forces to assist the US in the war and place them in the battle zone.

This time, Seoul was aware of the fact that refusing to send forces to Iraq would damage its relations with Washington and potentially lead to the withdrawal of a portion of the US forces stationed in South Korea.¹² The alliance with Washington carried a price tag that Seoul had to pay. South Korea understood that sending its forces to Iraq was part of the cost of the alliance, which was in its best interest to protect. It understood that although it was able to stave off some of the pressure from Washington during the First Gulf War, 2003 was a different ball game; it would have to send forces to Iraq. Another factor that influenced Seoul’s decision was the perception that sending soldiers to Iraq would allow it to be perceived as a “middle power” in the global arena.

Seoul eventually sent military units to Iraq, but was unwilling to comply with all of Washington’s requests. The US demanded that Korea send troops to a combat zone in Mosul, Iraq. Seoul opposed this demand, and in 2004 dispatched 3,500 soldiers, the Zaytun Division, to non-combat zones in Irbil and Kirkuk,¹³ where they worked mainly on civilian tasks, including local civilian reconstruction projects. These soldiers were the third-largest foreign military force in Iraq (surpassed only by the US and UK; Japan, for example, only sent 600 soldiers). The South Korean government publicly emphasized the civilian nature of its forces¹⁴ so as

not to be tagged in the Arab world as an anti-Muslim country, an image that might adversely affect its economic relations with the Middle East. Seoul's concerns about the potential effects of its involvement in Iraq on trade with the Persian Gulf states were refuted. Since then, South Korea has dispatched its military forces as part of the UN peace-keeping forces to the Western Sahara, East Timor, and other places. The South Koreans realized that playing a more significant role in the Middle East requires involvement beyond the economic and political realms and playing a military role, albeit not as part of active combat units. Sending forces to the Middle East as part of the UN Peace Keeping Operations (PKO)¹⁵ allows Seoul to gain legitimacy without taking sides in the Middle East conflicts.

Seoul's decision to send 356 soldiers, the Dongmyeong military unit, to southern Lebanon as part of the United Nations Interim Force in Lebanon (UNIFIL) in the wake of the 2006 Israel-Lebanon conflict, signaled another change in Seoul's regional policy: a willingness to participate in a regional PKO without fearing trade repercussions.¹⁶ South Korea kept its forces in southern Lebanon even after Italy withdrew its forces in the aftermath of an attack.¹⁷ If the instability in Syria spills over into southern Lebanon and the safety of its forces is jeopardized, Seoul might withdraw its forces from Southern Lebanon.

South Korea's security relations in the Middle East will continue to be relatively limited compared to its economic relations with the region. Seoul will continue to send its military forces to participate in the UN PKO, including in the Middle East, and understands that in the long run its middle power status will influence military involvement in global conflicts. Currently, Seoul prefers to limit its military involvement and use its soft power to influence the international arena.

The Middle East's currently-destabilizing security reflects on South Korea's bilateral security relations with the US. Washington's policy towards the security crises in Syria and Egypt, its handling of the Iranian nuclear crisis, and its hesitations to use military force reflect on its commitment to its allies in Asia. Sources in South Korea started to question Washington's devotion to Asian security, mainly after its problematic policy in the Middle East.¹⁸

DIPLOMACY AND POLITICS

After focusing exclusively on Asia during its first decades, South Korea became an active player in the international arena in the late 1980s.¹⁹ South Korea only became a member of the United Nations in the early 1990s and has since joined global and Asian international organizations. In the Middle East, Seoul focused on economic relations and preferred not to get involved in the political arena.

The Middle East peace process allowed Seoul to get politically involved in the region without taking sides. Seoul decided to initiate civilian projects in the Palestinian (PA) and get more involved in the peace process between Israel and the PA. This does not imply that Seoul will one day become a mediator between Israel and the PA, like the US or EU, but that it has demonstrated a more active political role in Middle Eastern affairs. Seoul lacks leverage in the Middle East, which limits the role it can play in the peace process. Compared to Japan, South Korea's financial assistance to the PA and its financial involvement in Middle Eastern regional cooperation projects – as part of confidence-building measures between Israel and its neighbors – is limited. Seoul continues to donate funds and build projects in the PA. For example, in 2012 the Korea International Cooperation Agency (KOICA) gave the PA \$5.5 million the greatest amount of financial support among other Middle East countries in building projects – such as education and healthcare – followed by Jordan, Yemen, and Iran.²⁰

The “Arab Spring” led Seoul to understand that it cannot intervene militarily in internal conflicts in Middle East countries, even though some of its financial assets are at risk there. In Libya, Seoul considered evacuating South Korean workers but not intervening militarily. Although the South Korean government views the “Arab Spring” as a concern for its interests in the Middle East, it concurrently sees an opportunity for soft power diplomacy. Diplomats in the Foreign Affairs Office and other agencies have stated that Seoul could contribute its knowledge and experience to the Middle Eastern states, especially to the new regimes that were established as a result of the “Arab Spring.”²¹ They argue that the knowledge and experience that South Korea amassed in its own democratization and economic development can assist these

new regimes. For example, the Korea Foundation has projects for leaders in developing countries that teach them about democratization, economic development, and leadership.²² The Korea International Cooperation Agency and the Korean Development Institute (KDI)²³ have programs that can assist these states in creating projects to develop their economy, education, and other important sectors. Its political neutrality towards Middle Eastern conflicts is a result of Korea's past; unlike Japan, Britain, and other imperialist states, Korea never had a colonialist ideology, nor did it conquer territories beyond the Korean Peninsula. The absence of a superpower image gives South Korea an advantage over other states in offering assistance to Middle Eastern countries. It can be involved politically and diplomatically in the Middle East at a low cost, without being tagged as supporting one of the sides of the conflicts or interfering in the political arena of the major players (such as Washington and Moscow). Soft power policy and extensive economic cooperation with the Middle East have enabled South Korea to positively develop its middle power status in the region.

ECONOMY AND TRADE

In South Korea, the economy plays a vital role in its foreign relations with the Middle East. The economy influences political, and even security, relations between Seoul and Middle Eastern countries. In order to minimize potential conflict between its political and economic interests in the region, which might even lead to disputes with Middle Eastern states and even the US, South Korea has developed a two-pronged policy that allows it to maximize its economic interests with minimal political cost. The first part of the policy is to keep politics and economy separate. This allows South Korea to trade without having to pay a political price or be constrained by the political rules of the game.²⁴ This policy has enabled South Korea to trade with and invest in North Korea, and to trade with Middle Eastern states when at war or under sanction, such as Iran and Iraq. The second element in its policy is to remain neutral in regional conflicts. By taking a stand, Seoul would not be able to continue to trade with both sides. This policy enabled South Korea to trade with both Iran and Iraq during the Iran-Iraq war in the 1980s. By maintaining its neutral policy, Seoul is perceived

as a state devoid of a political agenda, unlike some of the American or Russian companies that might serve hidden political agendas.

However, while the Middle East offers business opportunities for Korean conglomerates, it might concurrently pose challenges, especially in the event of regional wars. Seoul's economic policy might face another obstacle when its regional interests do not coincide with Washington's, which might lead the US to pressure it to change its policy, as was the case with Iran.

South Korea's Economic Interest in the Middle East

The Middle East's importance to the South Korean economy began in the late 1960s with the development of the Korean economy under President Park Chung-hee.²⁵ The Korean chaebols (business conglomerate) were searching for markets outside of Korea, and the Middle East was an excellent region to reach out to. The South Korean government saw this outreach as an opportunity to develop the economy. It subsequently supported these companies with loans and tax deductions, and assured Middle Eastern countries that the chaebols would build the projects at a low cost. Even now, Seoul continues to assist these conglomerates in pursuing and conducting business in the Middle East.

In the 1960s and 1970s, several factors allowed South Korean companies to be highly competitive in the Middle East construction market. These included experienced and cheap labor, the financial backing of the Seoul government, and the companies' ability to build large-scale projects.²⁶ However, the more developed the South Korean economy became, the more dependent it became on Middle Eastern oil, gas, and projects.

South Korean companies such as Hyundai, Dong Ah Industrial, Daewoo, and others²⁷ won contracts throughout the 1980s in Saudi Arabia, Bahrain, and other countries in the region worth more than \$3 billion.²⁸ These projects enabled South Korea to provide more than one million workers in the Middle East in the 1970s and 80s.²⁹

South Korea's dependency on Middle Eastern oil increased throughout the years to 85 percent, and almost 74 percent of its natural gas is imported from the Middle East (Table 1).³⁰ The oil embargo in the mid-1970s,³¹ the

Arab boycott on any company that traded with Israel, and Washington's demand to pursue sanctions on Iran over the previous decade increased Seoul's sensitivity towards trade with Israel and its political stand in Middle Eastern conflicts.³²

Table 2: South Korea oil sources in the Middle East (2011)³³

Saudi Arabia	Kuwait	Iran	Iraq	Qatar	United Arab Emirates
33%	14%	10%	9%	9%	9%

In the 1980s, South Korea's trade with the Middle East was influenced by the Iran-Iraq war, which led to a decline in the trade between Korea and these two states. Yet Korea was able to continue trading with the two states due to its political neutrality. Another factor that influenced the decline of trade was the drop in oil prices from \$48 per barrel in 1980 to \$12 in 1985, which led to fewer projects offered to foreign companies by the Middle Eastern states.

South Korea and other countries waited for the day after the war. They estimated that once the war ended, Iran and Iraq would have to invest billions of dollars in reconstruction projects to rehabilitate destroyed areas. Shortly after the end of the war, the South Korean firm Daelim signed a \$250 million contract to develop the Nar-Kangan gas field refinery in Iran.³⁴ In Iraq, President Saddam Hussein offered reconstruction and infrastructure project bids worth billions of dollars.³⁵ Samsung and Hyundai were two of the large Korean companies to win billion dollar construction projects in Iraq. However, these projects were short-lived. Saddam's decision to invade Kuwait in August 1990 threatened South Korean projects in Iraq and the oil supply to South Korea from the Persian Gulf.

The Gulf Wars in 1991 and 2003 raised concerns in Seoul of what the economic and political implications of its involvement in these operations might be. Table 2 demonstrates that South Korea's involvement in the two wars did not affect trade between South Korea and Iraq, and had no implications on trade with other Middle Eastern states.

Table 3: South Korea's trade with Middle Eastern states 1990-2012 (\$ million)³⁶

State	1990-1999	2000-2012
Iran	18,113	74,369
Iraq	497	21,252
Israel	4,821	14,409
Kuwait	11,654	74,339
Libya	2,177	6,160
Oman	11,301	41,279
Qatar	4,438	76,823
Saudi Arabia	56,020	214,154
United Arab Emirates	28,303	139,697

South Korean Trade Projects in Light of the “Arab Spring”

While some parts of the Middle East were unstable due to the “Arab Spring” – which broke out in early 2011 – in other parts of the Middle East, South Korean companies continued to win contracts and billions of dollars in projects. In 2011, South Korean companies secured the largest amount of orders among foreign builders operating in Saudi Arabia.³⁷ The years 2012-2013 in particular are excellent examples of the importance of the Middle East to the South Korean economy. In 2012, Hyundai Rotem Co. secured a \$353 million order to supply railcars to Egypt;³⁸ LS Cable and System, a South Korean power network builder, won a \$110 million order to supply large cables for three Middle Eastern countries;³⁹ Samsung Engineering secured a \$2.47 billion deal from the United Arab Emirates;⁴⁰ and Hyundai Engineering & Construction Co. won a \$1.5 billion alumina refinery order in Saudi Arabia.⁴¹ The multi-billion dollar contracts and the huge construction and infrastructure projects that Korean companies won explain why the Middle East, mainly the Persian Gulf, is so important to Korea. In August 2013, for example, Daewoo Engineering & Construction Co. won a \$709 million contract to build natural gas processing facilities in Iraq's Akkas gas field.⁴² The South Korean companies decided to

accept these projects despite losing millions of dollars in Iraq following the Kuwait invasion, and with a complete awareness of the precarious stability in some parts of Iraq.

An additional indication of the Middle East's economic importance is the August 2013 agreement between South Korea and Bahrain to establish a joint committee for boosting bilateral economic cooperation.⁴³ The upgrade of economic relations stands as another step in the institutionalization of economic relations between South Korea and the Middle East. It began with Seoul's decision to evaluate a Free Trade Agreement (FTA) between South Korea and the United Arab Emirates.⁴⁴ Until recently, Seoul only considered signing FTAs with Asian countries and the US. The decision to sign an FTA with the UAE, and consider adding Bahrain as well, marks the change in Seoul's economic and political interests towards the Middle East, mainly the Persian Gulf. While in 2012 South Korea did not secure as many construction projects as it had hoped in parts of the Middle East, as a result of the "Arab Spring" and the difficult competition with other foreign companies, orders from the oil-rich Middle East countries topped the list with \$36.9 billion worth of construction projects.⁴⁵

South Korea was one of many countries to be surprised by the eruption of the "Arab Spring" in the Middle East. The South Korean government was concerned for the safety of the South Korean workers.⁴⁶ President Lee Myung-bak said that "[the government] should use every possible means to protect our people and workers at companies operating there."⁴⁷ The instability in Egypt led the South Korean government to evaluate the safety of the 1,000 Koreans in Egypt.⁴⁸ The "Arab Spring" threatened not only the security of South Korean workers, but also the multi-billion dollar projects that Korean companies were building in the Middle East.⁴⁹ Seoul was also concerned about the implications of the "Arab Spring" on the cost of regional oil, and began preparing a contingency plan for its oil supply.⁵⁰ In the event of a destabilized Middle East or acute Iran crisis, South Korea could consider importing oil from Middle Eastern countries that did not undergo upheaval, Central Asian countries, or Russia.⁵¹

The “Arab Spring” raises doubts and concerns in Seoul about the stability in the Middle East and the possibilities for trade with the region. Yet it did not prevent South Korean companies and the government from seeking additional projects in the Middle East. An example is the meeting between the foreign ministers of South Korea and Tunisia in April 2012 to discuss forging closer bilateral cooperation in the fields of economy and trade.⁵² South Korean Foreign Minister Kim Sung-hwan said in February 2012 that he expects construction and other industries in the Middle East to flourish, and urged the South Korean government to support the Korean firms. After his visit through Turkey, Saudi Arabia, Qatar, and the United Arab Emirates, he declared that “the Middle East is poised for a second boom.”⁵³ Minister Kim, other government voices, and leaders of top Korean companies urged the Seoul government to create three initiatives to assist South Korean companies in coping with the increasing number and volume of projects in the Middle East, and with the instability in some parts of the region. The first initiative was to establish an organization to assist South Korean companies in promoting their business in Africa, including Egypt, despite the continent’s precarious stability.⁵⁴ The second was to establish a \$500 million industrial plant building fund to help local builders win overseas contracts. The government understood that South Korean companies would need additional assistance from the government in building huge constructions projects in the Persian Gulf and other parts of the Middle East.⁵⁵ The third was to open a new regional support center for Korean construction companies in Abu Dhabi, which will assist them in winning multi-billion dollars in regional construction projects.⁵⁶

The United Arab Emirates

In March 2012, President Lee Myung-bak praised the contract that South Korean companies won to develop oil fields in the United Arab Emirates. He defined it as a milestone that would place the resource-scarce nation in the ranks of major oil-developing nations, which could open the door to larger contracts in the region.⁵⁷ This project was another of South Korea’s landmark achievements in the Middle East. However, South Korea’s greatest achievement was the UAE civilian nuclear energy contract. The South Korean industry boasts numerous achievements in

the global market in many industries, including ship building and high tech, but Seoul wanted to enter the “Ivy League” of the civilian nuclear energy power plant market, which was mainly controlled by the US, Russia, France, and Japan. South Korea competed for the UAE nuclear power energy contract and won. Winning the \$40 billion project was an important acknowledgement for the South Korean industry and served as an entry ticket to the global nuclear power plant market, with the potential for billions of dollars in projects worldwide.⁵⁸ Seoul thought that this contract would serve as a springboard to other countries in the region that might consider building nuclear power plants (such as Jordan and Turkey). Seoul won the contract against all odds, but its plans to secure additional contracts in the Middle East did not materialize due to tough competition with Japan and France and the onset of the “Arab Spring,” which delayed some of the investments by these states.

Iran

In 2010, trade between Iran and South Korea amounted to \$11.5 billion. A year later trade increased to \$18.4 billion. Iran became an important Middle East trade partner for South Korea, and Korean companies were awarded multi-million dollar construction and infrastructure contracts.⁵⁹ Seoul hoped that its separation of politics and economy would allow it to continue trading with Iran, even during the sanctions.

Seoul initially attempted to bypass some of the sanctions, but Washington upped the pressure, forcing Seoul to enforce the sanctions and limit its trade with Iran.⁶⁰ It even instructed South Korean companies to limit their business in Iran,⁶¹ which they did, even when Tehran threatened that this policy might have implications on the 3,000 South Korean companies located in Iran.⁶² Seoul even began searching for alternative oil sources in preparation for the day when the sanctions on Iran would prevent South Korea from importing oil from Iran. Seoul has tried to balance politics and economy, knowing that the US and the UNSC will ultimately determine the boundaries of trade with Iran. If they increase sanctions on Iran, the trade between Iran and South Korea will continue to decrease.

Over the past decade, South Korea began to diversify its exports to the Middle East by selling not only civilian products but also military

equipment, such as unmanned aerial vehicles (UAV), the South Korean T-50 Golden Eagle training jet, and patrol boats to countries such as the UAE, Iraq, and even Israel.⁶³ Israel eventually preferred Italian jets to the Korean T-50. The cancellation of the T-50s did not prevent Korea from purchasing military equipment from Israel, such as the Israeli Spike missile to deal with the North Korean attacks.⁶⁴ The South Korean military equipment sales to the Middle East are minor moneymakers compared to its civilian trade with the region, and do not signal a change in Seoul's policy to the region. South Korea, unlike the US and Russia, does not perceive its military sales to the Middle East as a mechanism to influence the strategic arena, but rather as another lucrative industry.

Over the past two years, South Korean companies have won an increasing number and volume of projects in the Middle East. Other than the Iranian situation, where new sanctions might affect the trade between the two states, trade between Seoul and the Middle East is booming. The "Arab Spring" raises concerns in Seoul about the implications on the safety of its workers in the Middle East and the volume of trade; however, Seoul sees it as an opportunity to increase the trade with these states, which might need to invest more money in construction and infrastructure projects to stabilize the new regimes. The South Korean chaebols' extensive experience in these projects makes them the best candidates for the job.

RELATIONS WITH ISRAEL

Relations between South Korea and Israel demonstrate the influence of Seoul's economic interests in the Middle East. The two nations established diplomatic relations in 1962, but the lack of common political and economic interests resulted in low-profile economic and diplomatic relations between them for many years. The oil embargo in the mid-1970s and the Arab boycott on any company that traded with Israel alerted South Korea to the fact that its relations with Israel might carry a very expensive price tag, resulting in Seoul's high sensitivity towards trade and diplomatic relations with Israel.⁶⁵

Israel closed its embassy in Seoul in 1978 due to budget cuts and a lack of understanding of Seoul's constraints on its relations with Israel. South Korea attempted to explain its complex policy constraints to Israel to prevent the embassy closure, but to no avail. This led to deteriorated relations between the countries, and to an indirect improvement of relations between Korea and the Arab states.⁶⁶ It took Israel more than a decade to secure permission to reopen its embassy in Seoul, which it did in 1992. One of the main reasons for the lengthy hiatus was Seoul's concerns about the implications of reopening the embassy on its trade with the rest of the Middle East.

The most remarkable indication of South Korea's sensitivity towards its relations with Israel can be seen in the official diplomatic visits index. South Korean political leaders abstained from visiting Israel throughout the years, fearing repercussions for its relations within the Middle East. Although South Korean presidents and ministers frequently visit the countries in the Middle East with whom Korea has economic interests, they have not landed in Israel since establishing diplomatic relations in 1962. Israeli officials, on the other hand, have visited South Korea several times. One of the most important Israeli official visits to Korea was Prime Minister Yitzhak Rabin's visit in 1994, which led to improved economic relations, as Table 3 demonstrates.⁶⁷

Table 4: South Korea's trade with Israel 1980-2010 (\$ million)⁶⁸

Year	1980-84	1985-89	1990-94	1995-99	2000-04	2005-11	2012
	131	32	674	4,147	4,910	9,499	2,361

South Korea's diplomatic and economic "embargo" on Israel partially ended in the early 1990s, with the start of the Middle East peace process. South Korean companies began exporting to Israel and opened local branches there, but even then the South Korean president or prime minister never visited Israel. The fear of another Arab boycott is a constant concern for the Korean government. In comparison, Chinese leaders and Japanese prime ministers have visited Israel several times.

Israel understands that it cannot compete with the multi-billion dollar contracts the South Korean companies can secure in the Middle East,

mainly in the Persian Gulf. However, Seoul and Jerusalem understand that mutual cooperation can benefit both parties in the civilian and military industries. In the civilian industries, Israel is the only Middle Eastern state where South Korean conglomerates opened research and development centers; Samsung, LG, and POSCO⁶⁹ are examples of the technological cooperation between the two states. Even President Park Geun-hye said that the Israeli “Startup Nation” is a role model that South Korea should learn from in order to prioritize R&D and startups.⁷⁰ However, even this cooperation is relatively limited compared to the trade with the Persian Gulf states.

The military cooperation between the two states bears the potential of billions of dollars in contracts. Both states face a military threat across their borders, have experienced war, and face a constant missile threat. However, this potential faces three obstacles that limit it from being fulfilled.

One obstacle is South Korea’s alliance with the US. Washington expects Seoul to purchase military equipment from American companies, and wants the South Korean military to have the same equipment as its own forces that are stationed in Korea. Another obstacle is Washington’s limitation of Israeli companies from competing in South Korea. The US will not allow Israel to bid in South Korea if Israeli military equipment contains US components, as was the case with the IAI EL/M 2075-Phalcon. A third obstacle is the internal political and economic interests in South Korea that influence weapons transfers.

Israeli companies had to overcome not just the South Korean market constraints, but the Americans as well. Israeli companies were able to bypass some of these obstacles through joint projects with South Korean or American companies, and Israeli firms are able to sell equipment that is completely Israeli-made. Elbit, Elop, Elta, IAI, and other Israeli companies signed millions of dollars in contracts to sell military equipment to South Korea.⁷¹ North Korea’s military provocations and the Israeli experience with the Iron Dome missile defense system has created a new potential for cooperation between the two states,⁷² especially after President Park Geun-hye’s October 2013 declaration to “establish a strong deterrence against North Korea until it gives up its nuclear programs, and makes the right choice for its residents and peace on the Korean Peninsula.”⁷³

This statement creates the possibility for increased military cooperation between South Korea and Israel.

South Korea's economic interests in the region will continue to constrain itself in its relations with Israel. Its main priority will be maintaining the billions of dollars of trade and contracts that South Korean companies are winning in the Middle East. Moreover, as long as the US constrains the military trade between South Korea and Israel, the nature and scope of military trade and cooperation between Seoul and Jerusalem will be limited, without reaching its multi-billion dollar potential.

CONCLUSION

South Korea's Middle East policy, which includes political neutrality, a separation between politics and economy, and a cautious policy towards Israel, has allowed Seoul to maximize its economic interests in the region throughout the years. This has paved the way for South Korean companies to compete and win billions of dollars of projects in the Middle East since the 1970s.

The "Arab Spring" took the South Korean government by surprise and led to a decrease trade with some Middle Eastern states. However, South Korea's concern is that the "Arab Spring" will spill over to the Persian Gulf and jeopardize South Korea's billions of dollars of construction projects there. More concerning is a disruption of the oil and gas flow to South Korea from the Persian Gulf, in which the regional turmoil will incur an enormous cost for the South Korean economy.

South Korean-Israeli political relations will not be upgraded as long as Seoul is concerned about how the Arab Middle East states will react. This means that the South Korean President is not expected to visit Israel any time soon. The billions of dollars of contracts with the Middle East, mainly the Persian Gulf states, are too important for Seoul to risk. While the diplomatic-political relations remain at the current level, the military cooperation between the two states will continue to improve, as long as Washington does not constrain it.

The Middle East peace process offers an opportunity for South Korea to upgrade its political and diplomatic role in the region.⁷⁴ By increasing its political involvement in the Middle East peace process, Seoul can establish its middle power status not just in Asia but in the Middle East as well. It will do so by increasing support for humanitarian and peace-building projects – making Korean companies a part of the peace process – and through soft power, which will allow Korea to develop its new regional status with positive diplomacy, while remaining politically neutral in the region.

Iran's nuclear program poses a conundrum for South Korea if the nuclear crisis deteriorates due to a military attack, increased sanctions, or an Iranian nuclear test. Washington, and even the Persian Gulf states, might call upon Seoul to take a stand, in which case Seoul will not be able to sit on the fence. The implications might apply to the Korean Peninsula as well. If North Korea perceives the attack on Iran as a direct threat, then South Korea's dilemma will become even more complicated.

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