



The Republic of Korea and the Middle East: Economics, Diplomacy, and Security

by Alon Levkowitz

South Korean–Middle Eastern relations have been neglected in the literature throughout the years, mainly owing to the focus on Korea’s relations with the United States and Asian states and the attention given to the North Korea–Middle East military trade. This paper sheds new light on this issue by analyzing South Korea’s Middle East policy. Until the 1960s, the Middle East was of low importance to South Korea because of Korea’s lack of economic and political interest in the region. The Cold War division dictated with which Middle Eastern countries Seoul could trade and establish diplomatic relations, but within these boundaries it was South Korea’s developing economy that defined the policy toward the region and the importance of the Middle East to South Korea.

Since the mid-1970s, the economic importance of the Middle East to South Korea’s economy has increased gradually along with Korea’s increased importance to several Middle Eastern nations.

The economy influenced Seoul’s sensitive policy toward Israel throughout the years. Although South Korea’s economic involvement in the region increased over the years, its diplomatic and military policy toward the region was very restrained and limited until the 1990s. The new millennium heralded a change in South Korea’s involvement in the Middle East. Its economic involvement now includes major nuclear energy projects. For the first time, Seoul also became militarily involved in the Middle East, including sending troops to Iraq and Lebanon, and it began to play a more active political role in the region, which might increase further if Seoul decides to become a more dominant player in the region. These changes will have implications on Seoul’s policies beyond this region.

Historical Connections: 1950s–1960s

Until the 1960s, Seoul’s policy toward the Middle East could be defined as passive, if not unimportant, owing to Korea’s lack of interests in the Middle East. During the first years after its establishment in 1948, South Korea was preoccupied with nation building. The Korean War, which erupted two years later, left South Korea with one main goal, rebuilding the nation and developing its economy. In the first decade after the war, the lengthy reconstruction of the country left the Middle East out of South Korea’s scope. Even during the 1960s, the Middle East remained relatively unimportant to the South Korean economy, as evident from the following comparison: The total trade (import and export) in the 1960s between South Korea and nine Middle Eastern states (United Arab Emirates [UAE], Israel, Iraq, Iran, Kuwait, Libya, Oman, Qatar, and Saudi Arabia) was \$125 million. During the same years, the total trade between South Korea and the United States was \$2,563 million, with Japan \$2,696 million, and with France \$86 million.¹

During those years, South Korea’s diplomatic and political relations with the Middle East were part of the Cold War division between the pro-U.S. camp, to which Seoul belonged, and the pro–Soviet Union camp, to which Pyongyang belonged. The Cold War defined for Seoul its trading partners in the region and in which countries it could establish diplomatic relations.² In this context, in the 1950s and 1960s, the Middle East’s political relevance played a role in the competition between Seoul and Pyongyang on the legitimacy of Korea, as presented in **Table 1**. Both Seoul and Pyongyang competed for Korea’s legitimacy by establishing diplomatic relations with countries around

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Table 1: South Korea's and North Korea's Diplomatic Relations with the Middle East, 1950s–80s

Country	1950s			1960s			1970s			1980s		
	E	C	T	E	C	T	E	C	T	E	C	T
Bahrain							S					
Egypt				S	S,N							
Iran				S			N					
Iraq				N							S	
Israel				S								
Jordan				S			N					
Kuwait										S,N	S,N	
Lebanon						N			S	S		
Libya							N	S		S		
Oman				S								
Qatar							S					
Saudi Arabia				S								
Sudan				N			S	S				
Syria				N								
Tunisia				S	S		N					
Turkey ¹	S											
United Arab Emirates										S		
Yemen (North) Arab Republic				N								
Yemen (South) People's Democratic Republic				N								

Source: R. D. McLaurin and Chung-in Moon, "A Precarious Balance: Korea and the Middle East," *Korean and World Affairs* 8, no. 2 (1984): 238.

¹ Turkey was the only Middle Eastern nation to send forces to the Korean War.

Note: E-embassy; C-consulate; T-trade mission; N-North Korea; S-South Korea; this table shows the dates that each individual office was established.

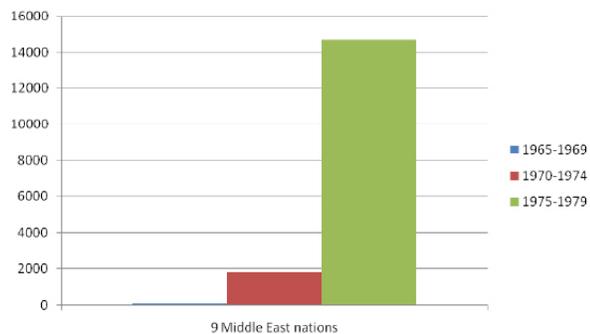
the world. Seoul was able to establish diplomatic relations with pro-U.S. nations such as Jordan, Iran, Israel, Saudi Arabia, and Tunisia and a decade later with several more Middle Eastern states. Pyongyang established diplomatic relations with the more radical pro-Soviet nations such as Yemen, Syria, Sudan, and others.

Years later, Seoul established diplomatic relations with the Middle Eastern and North African nations that were not part of the pro-U.S. camp, such as Yemen (North Yemen in 1985, South Yemen in 1990) and Sudan in 1977. South Korea did not establish diplomatic relations with Syria on account of Syria's objection to South Korea's diplomatic relations with Israel, but this did not prevent the two states from trading with each other. The Middle East was not a unique case in the North–South Korean battle for legitimacy. Both states competed for legitimacy in other regions as well. North Korea set its sights on the "third world" and the non-aligned nations in Asia while South Korea searched for legitimacy with Japan, anticommunist states, and pro-U.S. states.³

The 1970s

The 1970s symbolized the change in South Korea's foreign economic policy toward the Middle East. Korea's developing economy required foreign markets in order for Korea to sell its products and services, and Korea changed its economic policy toward the region. President Park Chung-hee (1963–79) invested his main efforts in developing the South Korean economy to strengthen the country against North Korea and also reduce its dependency on the United States for its security and economic development in the short term. Park sought to pursue a more independent Republic of Korea that in the long term would not be dependent on the United States for its economic development and security.⁴ The development of the South Korean economy and the rise of the South Korean business conglomerates (*chaebol*) increased the need to find projects and markets outside of South Korea. The Middle East was seen as a potential target for the expansion of South Korean construction companies such as Hyundai, Dong Ah Industrial, and Daewoo and a vital source of energy for

Figure 1: South Korea's Trade with the Middle East, 1965–79, in millions of dollars



Source: Korean Statistical Information Service.

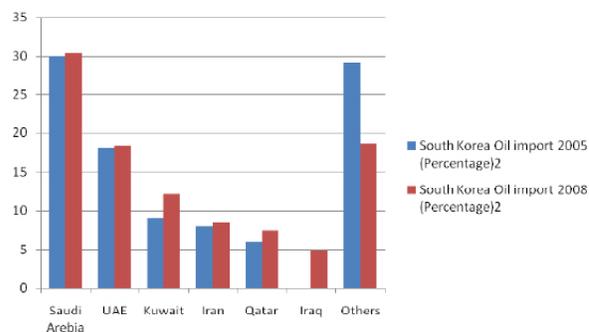
South Korea. South Korean construction companies were the dominant South Korean companies in the region, but other Korean companies sold their products in the Middle East: Hyundai, for example, sold Pony cars in the Middle East,⁵ and South Korea communication equipment companies made market inroads there as well. Between 1974 and 1982, South Korea companies captured 49.2 percent of the network cables sales market in Saudi Arabia.⁶

In the early 1970s, the face of the Middle East changed when the oil boom brought a rapid increase in revenues to oil-producing nations. This led these countries, mainly in the Middle East, to launch ambitious programs of public spending on infrastructure to foreign companies. The 1970s oil boom opened opportunities for South Korean companies to expand to the Middle East and compete with other international companies. Seoul began to regard this region as an attractive market for its industries, mainly the construction companies. The main goals of the government and the *chaebol* were to increase the competitiveness of South Korea's economy and South Korean *chaebol* and to overcome the conception that South Korean companies were incapable of competing in international projects.

The increased trade between South Korea in the Middle East is noticeable when comparing trade in the 1960s and 1970s. As **Figure 1** shows, the total trade in 1965–69 between South Korea and the UAE, Israel, Iraq, Iran, Kuwait, Libya, Oman, Qatar, and Saudi Arabia was \$125 million; five years later the total trade had increased to \$1,826 million, and between 1975 and 1979 it increased again to \$14,691 million. South Korea's main Middle Eastern trading partner in the 1970s was Saudi Arabia, South Korea's main oil provider, with a total trade of \$8,780 million.⁷

While the developing South Korean economy increased the need to improve Seoul's relations with the Middle East to realize Korea's economic potential, it concurrently increased Seoul's dependence on the Middle East because

Figure 2: South Korea's Sources of Oil in the Middle East, 2005 and 2008

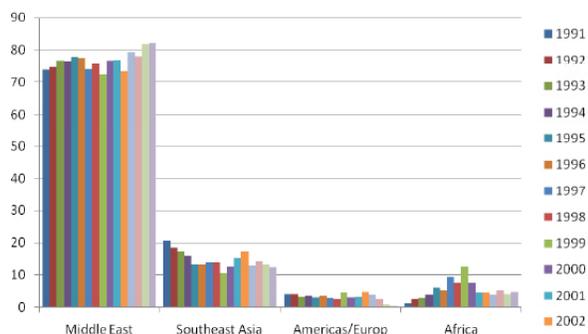


Sources: Korea Development Institute (KDI), Korea International Trade Association (KITA), Korea Trade-Investment Promotion Agency (KOTRA), OECD/IEA, *Energy Policies of IEA Countries: The Republic of Korea: 2006 Review* (Paris: International Energy Agency, 2006), 89.

of Korea's reliance on oil and gas from the region. **Figure 2** and **Figure 3** show how important the Middle East became for South Korea. South Korea imports about 85 percent of its oil from the Middle East. The more developed South Korea became, the greater was its dependence on oil and gas from the Middle East. This dependency increased the advantage—both direct (the oil embargo) and indirect (the fear of potential oil embargo)—that Middle Eastern countries had over Seoul, especially regarding Korea's policy toward Israel. The October 1973 war and the oil crisis of 1973–74⁸ demonstrated to Seoul how great its Middle Eastern oil dependency was, the cost of its relations with Israel, and the complexity and volatility of the region.⁹ The Arab boycott of any company that traded with Israel decreased Seoul's ambition to improve trade and diplomatic relations with Israel by opening an embassy in Israel, as Israel had done in Seoul.

Israel is a very delicate issue in South Korea–Middle East economic relations. Israel was one of the first Middle Eastern nations to establish diplomatic relations with South Korea (1962) and even sent medical assistance to South Korea at the beginning of the Korean War.¹⁰ Since its establishment, the state of Israel has fought seven wars against its Arab neighbors (Lebanon, Egypt, Syria, Jordan, and Iraq). Its geopolitical location in the Middle East and the constant tension between Israel and its Arab neighbor states has created complex economic relations between Israel and South Korea. The 1967 war between Israel and its neighboring Arab countries increased the Arab nations' pressure on Seoul to reconsider its relations with Israel. The tension between Israel and its neighbors and Seoul's sensitivity to the Arab states' reaction to any improvement in South Korea–Israel economic and diplomatic relations decreased Korea's incentives to enhance its economic and diplomatic ties with Israel. South Korea was not the only state that limited its trade with Israel

Figure 3: South Korea's Sources of Oil by Region, 1991–2006, percentage of market share



Sources: Korea Development Institute (KDI), Korea International Trade Association (KITA), Korea Trade-Investment Promotion Agency (KOTRA), OECD/IEA, *Energy Policies of IEA Countries: The Republic of Korea: 2006 Review* (Paris: International Energy Agency, 2006), 89.

owing to fear of an Arab boycott. Japan faced the same fear when it had to evaluate its diplomatic and economic relations with Israel.¹¹

Seoul tried to minimize its economic relations with Israel, such as by not opening an embassy in Israel even though Israel had opened an embassy in South Korea and by maintaining low-profile economic and diplomatic relations that would forestall pressure from the Arab world.¹² Seoul was understandably very sensitive in its dealings with Israel, preferring to trade with other Middle Eastern nations. One example is Korea's trade relations with Saudi Arabia and the UAE, which were—and still are—South Korea's most important trade states in the region, Saudi Arabia being the largest oil exporter to Korea and UAE the second. These two states used their oil leverage on Seoul very effectively: Israeli diplomats were told by South Korean officials in the 1970s that Seoul would not upgrade its trade and diplomatic relations with Israel because of Korea's concern that those Arab nations' reaction might affect trade with Korea.¹³

In 1978 South Korea was not yet a member of the United Nations—an important venue for Israel in those days—and the Israeli foreign minister decided to close the Israeli embassy in Korea. There was limited trade between the two states, and the need for budget cuts and Israel's lack of interests in Korea brought about the closure despite objections from Israeli foreign office diplomats. A short time after the closure of the embassy, the Israeli government tried to reopen its embassy after realizing that its previous policy had been a mistake, but it took Israel almost two decades to convince the South Korean government to allow the reopening of the Israeli embassy in Seoul.¹⁴ Seoul was not willing to allow Israel to reopen an embassy, Israeli diplomats stated, because Koreans feared an Arab boycott and the implications that a reopening might

have on the trade with the Middle East. According to the Israeli Ministry of Finance, the Koreans were even more subservient to the Arab “central boycott office” than the Japanese.¹⁵

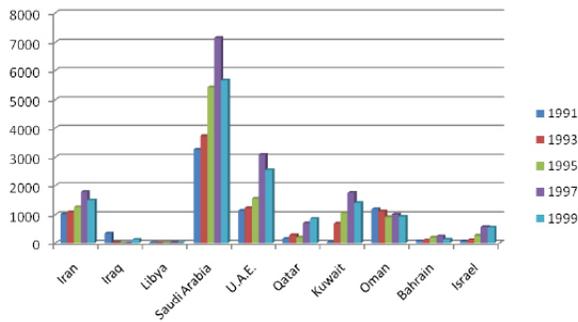
To help and support its domestic companies, the South Korean government provided both direct and indirect assistance. The government supported Korean companies' projects in the Middle East through loans and tax reductions, which enabled them to compete with other foreign companies in Middle Eastern projects.¹⁶ The government also assisted the *chaebol* by persuading the Middle Eastern states to allow them to build projects in the region. When a crisis erupted, such as with the Korean workers in Saudi Arabia in the 1970s, the South Korean government helped to convince Saudi Arabia to allow the *chaebol* to continue the projects.

From the Middle Eastern states' perspective, these assurances increased the credibility of the *chaebol*. The Korean *chaebol* offered Middle Eastern countries experienced, cheap labor that could build huge infrastructure projects backed by financial support from the Korean government. Their ability to build large-scale projects in the Middle East made them very attractive. Another advantage that the Korean companies offered, which appealed to the Middle Eastern nations, was the absence of any perceived political agenda or ideological aspirations to influence the governments in the Middle East.¹⁷

The *chaebol* began competing for project contracts around the Middle East and North Africa and won important contracts in these regions. Such projects include the ones constructed by Hyundai, Dong Ah Industrial, Daewoo, and others.¹⁸ Hyundai obtained a contract worth more than \$900 million for the industrial harbor project in Jubail (Saudi Arabia) and an Arab shipbuilding and repair yard in Bahrain.¹⁹ In 1977, the *chaebol* built \$2.5 billion worth of projects in Saudi Arabia. South Korean construction projects in the Middle East reached their peak in 1982 and constituted 6.6 percent of South Korea's gross national product.²⁰ From 1975 until 1985, nearly one million Koreans worked in the Middle East, mostly in Saudi Arabia and Bahrain. After the projects ended, they returned to Korea.²¹

The *chaebols'* increased need for workers to build projects in the Middle East led the South Korean government to assist domestic companies by converting military camps into *chaebol* training facilities for new Middle East-bound workers. According to Nigel Disney, the South Korean government gave additional assistance to the *chaebol* by recruiting most of the workers for these training facilities and even offered soldiers an early discharge if they signed up for the Middle East.²²

Figure 4: South Korea's Imports from the Middle East, 1991–99, in millions of dollars



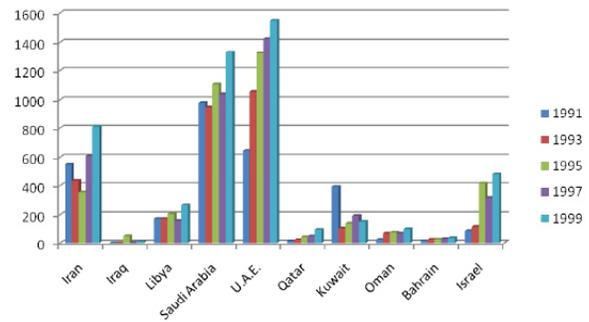
Sources: Korea Development Institute (KDI), Korea International Trade Association (KITA), Korea Trade-Investment Promotion Agency (KOTRA), Korea Custom Service, and Korean Statistical Information Service.

The 1980s–1990s

The Iran-Iraq War and the Gulf War in the 1980s and 1990s showed the Middle East's volatility and its instability for South Korean companies and investments. On the one hand, South Korean companies were doing very well in projects throughout the region. An excellent example of South Korea's main construction projects in the Arab world during the 1980s was the "great man-made river" project in Libya, which aimed to bring water to Libya's desert areas. Dong Ah construction was a South Korean company that won contracts exceeding \$9 billion to build this project.²³ The drop in the price of a barrel of oil from \$48 in 1980 to \$12 in 1985 led, on the other hand, to a decline of the "oil boom" in the mid-1980s. The reduced income in oil-producing states caused by the steep drop in the price per barrel of oil caused a cut in the number of Middle Eastern building projects offered to foreign countries, including South Korean construction companies.

The regional wars showed the high risk that the *chaebol* were taking while working in some of the Middle Eastern countries. The Iran-Iraq War (1980–88) influenced trade between South Korea and both adversaries—Iraq and Iran. Trade was not stable throughout the war years, and it depended on the battle zones of both states. For example, South Korea imported a total of \$642 million in petroleum products from Iran in 1980. In 1984, imports rose to \$1,135 million, and by the end of the war (1988) Seoul's imports declined to \$518 million. The Iran-Iraq War did not prevent South Korea from trading with both states. Seoul was not politically identified as supporting one of the sides and was able to continue and trade with Iran and Iraq during and after the Iran-Iraq War. Diplomatic relations between Iran and North Korea and the firm alliance between Seoul and Washington did not become an obstacle for trade relations between the two states, which have grown steadily throughout the years, even during the recent Iranian nuclear crisis. While Seoul criticized

Figure 5: South Korea's Exports to the Middle East, 1991–99, in millions of dollars



Sources: Korea Development Institute (KDI), Korea International Trade Association (KITA), Korea Trade-Investment Promotion Agency (KOTRA), Korea Custom Service, and Korean Statistical Information Service.

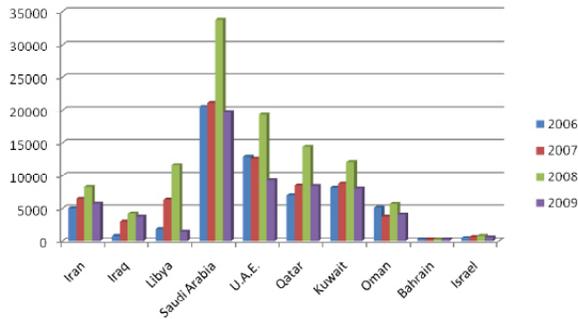
Pyeongyang for selling missiles to foreign countries, it did not criticize or pressure Iran to halt its military trade with North Korea.

The end of the Iran-Iraq war created new opportunities for South Korean construction companies to build projects in Iraq after the war. Samsung and Hyundai won construction projects in Iraq, but these projects were halted when Iraq's leader, Saddam Hussein, decided to invade Kuwait. Saddam Hussein's invasion had financial consequences for the *chaebol* and on other foreign companies as well. The *chaebol* were involved in many projects in Iraq, which carried the risk of nonpayment because of the war. Samsung, for example, was one of the *chaebol* that, prior to the invasion of Kuwait, had begun working on the Baghdad-Basra motorway; Samsung was left with a \$100 million debt by the Iraqi government. Another example is Hyundai projects for the Housing Ministry estimated at \$860 million, which the war in Iraq jeopardized.²⁴ Iraq's invasion of Kuwait and the Gulf War exemplified to the Korean *chaebol* that, although the Middle East could be very profitable, it could risk all the profits that these companies expected to gain. Some of the *chaebol* hoped that after the war they might be able to win reconstruction projects in Iraq to overcome the losses in the war.

Although Israel did not participate in the first Gulf War, the war had implications for South Korean–Israeli relations. Seoul, because of its expectations of winning projects in Iraq, was very sensitive about upgrading its economic ties with Israel after the Gulf War. Enhancing diplomatic relations with Israel might raise doubts among the Arab Middle Eastern nations that would ultimately prevent South Korea from securing projects or lead to a revival of the Arab boycott.²⁵

In the early 1990s, the Oslo peace process between the Palestinians and Israel and, later, the Israel-Jordan peace process paved the way for the change in South Korea–

Figure 6: South Korea's Imports from the Middle East, 2006–09, in millions of dollars



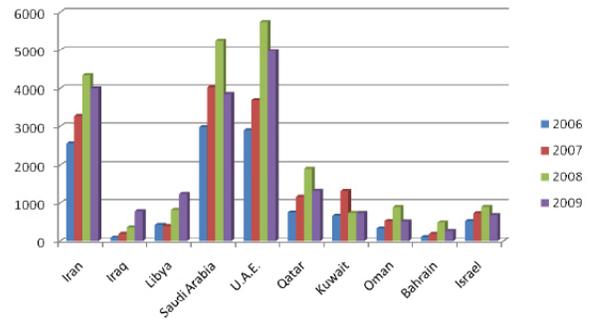
Sources: Korea International Trade Association (KITA), Korea Development Institute (KDI), Korea Trade-Investment Promotion Agency (KOTRA), Korea Custom Service, and Korean Statistical Information Service.

Israel relations. The improved trade between the two states can be seen in **Figure 4** and **Figure 5**. The fear of an Arab boycott that might have prevented the *chaebol* from working in Middle Eastern states decreased. The political and economic environment in the Middle East was perceived as very positive, and Israel was seen as a potential low-risk economic market for Korean companies. The *chaebol* no longer feared trading publicly with Israel and the rest of the Middle Eastern states.

The figures show that the increased trade between Israel and South Korea did not harm South Korea's trade with the Arab Middle Eastern countries. The Oslo peace process and the visit of the Israeli prime minister, Yitzhak Rabin, to Korea in 1994 broke the ice and led to improved economic relations between the two states. Hyundai was the first Korean company to open a branch in Israel in 1994; Daewoo and LG opened their branches in 1999, and other Korean companies came later. In 1988 the total trade between Israel and South Korea was only \$90 million. Seven years later, in 1995, the total trade increased to \$690 million. At the end of the 1990s, the 1997 Asian financial crisis led to concerns in the Middle East regarding the credibility of the *chaebol*. South Korea was able to quickly overcome the 1997 financial crisis, however, and South Korean companies continued to secure projects in the Middle East with minor effects on a few Korean companies whose economic recovery was under question.²⁶

Until the 1990s Seoul did not use its economic power to play a role in the peace process between Israel and Syria or with the Palestinians. Reasons for this included the dominant role that the United States and the European Union played in the Middle East peace process and the lack of interest of the Middle Eastern states in Seoul's political involvement. Tokyo, for example, supports regional projects that will allow it to influence the peace process, but Seoul has not initiated similar projects. One could say that Seoul did not see itself or aspire to be seen as a politi-

Figure 7: South Korea's Exports to the Middle East 2006–09, in millions of dollars



Sources: Korea International Trade Association (KITA), Korea Development Institute (KDI), Korea Trade-Investment Promotion Agency (KOTRA), Korea Custom Service, and Korean Statistical Information Service.

cal player in the region. The Oslo peace process enabled different countries such as South Korea to get involved in projects encompassing confidence-building measures without the fear of paying any price for cooperating with both Israel and its neighbors.

In this context, Seoul decided to use its economic power to contribute to the peace process by supporting projects in the Palestinian National Authority (PNA). According to the South Korean Ministry of Foreign Affairs and Trade, Seoul invested more than \$10 million in the PNA between 1994 and 2005²⁷ and continues to grant funds for PNA projects. Compared with other states such as Japan (direct assistance of \$197.7 million during 1993–2004) and Germany (\$190 million during 1994–2005), South Korea's financial assistance to the PNA is very limited, as is its political involvement in the peace process. Seoul is systematically attempting to convince the regional players that it is interested in a more active political role in the region, primarily in order to be perceived as a political and economic middle-power state. This process is in its primary phases, and it will require further efforts from Seoul if Korea wants to be seen and treated as an influential player in the region. It seems that for the time being Seoul prefers its current status in the region.

The New Millennium

The new millennium presented another step in the upgrade of South Korea's Middle East economic policy (**Figure 6** and **Figure 7**). South Korean companies continued to win projects in the region: Hanwha won contracts worth \$1 billion in Saudi Arabia;²⁸ Hyundai Engineering, GS Engineering, and Hyundai Heavy Industries won contracts for \$3.9 billion in the UAE; and Korean companies won projects in Jordan and other Middle Eastern countries. But the most important achievement of South Korea's trade relations with the Middle East, with far-reaching implications, was the nuclear power project in the UAE.

Seoul surprised the world in 2009 when it won the \$40 billion UAE nuclear power contract.²⁹ The French companies were certain that they had secured the contract, but South Korea was able to overcome the obstacles and win the contract. Even President Lee Myung-bak assisted the South Korean companies by visiting the UAE prior to the decision to convince the UAE to give the project to the Korean companies. This is the largest contract ever won by South Korean companies abroad. The market for nuclear power plants, which, according to forecasts, will double in the next two decades, was controlled until now mainly by the United States, France, Japan, Russia, and China. The South Korean nuclear power project in the UAE establishes South Korea's position as an important nuclear power plant supplier and opens the door for potential projects worldwide.

The Jordanian and Turkish governments are already negotiating with Korea on building nuclear power plants. The UAE project also helps the South Korean economy to diversify the products and services it exports worldwide. Korea also signed an agreement with the UAE to transfer unmanned aerial vehicles (UAVs) and other technologies³⁰ and is also negotiating with the UAE, Iraq, and other Middle Eastern states regarding the sale of South Korean T-50 Golden Eagle trainer jets. The UAV agreement and the T-50 negotiations demonstrate Seoul's increased economic involvement in the region, not only in the civilian economic arena but also in the security arena.

To upgrade its economic relations with the region, President Lee Myung-bak's government is considering signing free trade agreements (FTAs) with Saudi Arabia, Kuwait, Qatar, Bahrain, the UAE, and Oman. These FTAs demonstrate the change in Seoul's policy toward the region. Seoul was no longer interested only in FTAs with Washington and other Asian nations; it now viewed the Middle East as an important market. The economic improvement was not limited to the Arab Middle Eastern nations. South Korea improved its economic relations with Israel as well. Trade between the two states increased from \$90 million in 1988 to \$690 million in 1995; it peaked in 2008 at \$1,922 million.³¹ In addition, South Korea is in the preliminary stages of evaluating an FTA with Israel. The normalization between Israel and some of the Arab states such as the Gulf Cooperation Council dissolved South Korean fears that the Arab states might perceive the economic and diplomatic relations between South Korea and Israel as a breach of the Arab boycott. Israel was no longer perceived as an obstacle to their business with the Arab Middle Eastern nations.

The new millennium presented another change in South Korea–Middle East relations. For the first time, Seoul became militarily involved in the region as part of the UN peace forces. North Korea's long-standing military

cooperation with several Arab states was and still is more prevalent in the region than South Korea's³² however.

In the first Gulf War in 1991, Washington pressured Seoul to send forces to participate in the war. Seoul was not inclined to send forces to Iraq but understood that the alliance with the United States included a price tag that Seoul needed to pay, even if it did not want to send forces to battle-zone locations. Seoul's eventual participation was limited to 314 people who worked as medical and transportation support.

Historically, Seoul took part in a meaningful way in a war outside its borders only in the Vietnam War. South Korea's different reaction to U.S. calls for military participation can be easily explained: the Vietnam War occurred in the midst of the Cold War, and President Park Chung-hee was eager to participate. He saw the participation of the Korean forces as part of the war against communism, as a means to sustain the alliance with Washington. He was also interested in the foreign income that the 300,000 soldiers and Korea received from the United States in return. The Gulf War occurred after the Cold War ended, and Seoul was not as enthusiastic about taking sides. Seoul did not perceive the Gulf War as a war that it should fight, as it had in Vietnam, and the financial need for economic assistance did not exist as it had during the Vietnam War.

Seoul's second participatory role in a military operation in the region was assumed under heavy pressure from Washington to send forces to Iraq in 2003. Washington was no longer willing to accept South Korea's limited involvement in Iraq as it had in the previous war. In 2004 Seoul decided to dispatch 3,500 South Korean soldiers to Iraq. Although the South Korean forces were not in a battle zone, they were present in Iraq while the low-intensity conflict continued. The South Korean forces participated in civilian projects in Iraq even though Washington would have preferred that they participate in the military tasks.

This indicated a change in South Korea's level of involvement in the region: South Korean military forces, not just South Korean *chaebol*, were now present in the region for the first time. Seoul's reports on the activity of its forces in Iraq stressed their civilian activities and not their military contribution; Seoul wanted to be perceived in a positive manner by the Arab world and prevent potentially negative influence on its trade in the region.

Seoul's decision to send forces to southern Lebanon as part of the UN peacekeeping forces after the 2006 Israel-Lebanon conflict³³ stands as another example of Seoul's new policy toward the Middle East. The decision to send forces to the Middle East is based on the assumption that none of the sides of the conflict suspects that Seoul has a hidden political or ideological agenda, which makes Seoul

a perfect candidate for participating in a peace force in the Middle East. The change in South Korea's military involvement policy in the region and beyond is evident in the statement of Colonel Kang Chan-ok, chief of the South Korean forces in Lebanon: "We will continue our efforts to raise South Korea's international profile."³⁴ This change in Seoul's policy coincides with the incremental change in South Korea's broader foreign policy in the last decade, as it has gone from a passive global player to a more active player, not just on the Korean peninsula but also in international organizations and other regions as well.

South Korea's stand on the Iranian nuclear issue indicates, however, that economic considerations still rule Seoul's diplomacy. From the beginning, when the Iran nuclear issue was raised in 2003 at a meeting of the International Atomic Energy Agency in Vienna, Seoul sent calming messages to Tehran that South Korea would keep a balanced position. Since then, South Korea's policy can be characterized as following mainly the obligatory sanctions imposed on Iran by the UN Security Council while refraining from voluntary harsh measures toward Iran, as other U.S. allies, including Japan, have taken. These voluntary sanctions require a political decision to pay an economic price for the coordinated international counterproliferation efforts, a price that Seoul is not ready to pay and not required to make.

The tension between Iran and the United States on the nuclear issue did not prevent Korean companies such as LG, Samsung Electronics, Hanjin Heavy Industries, Hyundai, Daewoo Shipbuilding, and others from signing billion-dollar contracts with Iran. The amount of trade between the two states, mainly South Korean energy imports, did not suffer greatly either (Iran has supplied approximately 8 percent of South Korea's oil for the past few years). One would have expected a country like South Korea, which is under the threat of North Korea's nuclear intimidation, to be more watchful in its stand on the Iranian nuclear issue, but Seoul, from its nascent global position, sees its economic interest and above all its insistence on being a nonpolitical economic partner as more important for now.

Conclusion

Relations between the Republic of Korea and the Middle East have changed with the passage of time. From a nation that was constrained by the Cold War and whose relations with the Middle East were limited until the 1960s to only a few states, Seoul has increased trade with the region and since the 1980s has normalized diplomatic relations with all the states in the region except for Syria. Although South Korean trade with the region has increased and diversified, Seoul's political and security involvement in the region was relatively limited until the last decade. South Korea perceived the Middle East as a trade target and not as a

political or military arena in which it should get involved, as in Asia. This lack of political involvement in the region allowed Seoul to trade with most of the Middle Eastern states even when states in the region were at war, as the Iran-Iraq case demonstrates.

The new millennium demonstrates an incremental change in Seoul's foreign policy, which began in the mid-1990s when Seoul gradually increased its involvement in international organizations in Asia such as the Asia-Pacific Economic Cooperation and the ASEAN Regional Forum and global organizations such as the UN. Seoul's increased involvement pertained to the Middle East as well, which led to a subsequent increase in Seoul's involvement in the peace process and sending forces to South Lebanon. Seoul's participation in the region's political process is still in its infancy. If Seoul wants to be perceived as a middle power, it should act like one. This has not prevented Seoul from increasing its economic involvement in the region, as the UAE nuclear power project demonstrates. This project will have immense implications on South Korean trade with other Middle Eastern nations that perceive Seoul as a potential contractor for building these nuclear power plants in other regional states and in regions outside the Middle East as well.

The Iranian nuclear crisis is Seoul's biggest future challenge. If the Iranian nuclear crisis peaks and significant sanctions are imposed on Iran, or if the situation deteriorates further, Seoul will have to take a stand and deal with the implications this crisis will have on its trade and investments in the region. From Seoul's point of view, an Iranian crisis might have additional implications if Pyongyang perceives the escalating Iranian crisis and the UN Security Council response as a threat to its security and decides to escalate the tension on the Korean peninsula. This link between Iran and North Korea, and the U.S. pressure to increase sanctions on Iran, will be part of the equation that Seoul will need to consider in the future.

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