Perks and Perils of Strategic Choice: South Korea’s Iran Policy Under Moon Jae-in

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Abstract
After some two decades of growing partnership between Seoul and Tehran, South Korea’s bilateral relationship with Iran reached a bottom of absolute gloom under the leadership of Moon Jae-in. Most of his presidency coincided with the administration of Donald Trump who followed a relatively contrasting approach toward the North Korean and Iranian nuclear issues. Washington’s Pyongyang and Tehran policies were naturally bound to create opportunities as well as troubles for the Moon-led Korean government’s dealing with North Korea and Iran. Arguing from a perspective of strategic choice, this study asserts that Moon almost forfeited the ROK’s commercial interests in Iran for the sake of advancing his North Korean agenda. As a corollary, the South Korean–Iranian ties sank to an all-time low, culminating in unprecedented diplomatic tensions between the two countries over the issue of Iran’s oil incomes frozen in Seoul. The Mideast country’s subsequent resort to gunboat diplomacy by seizing a Korean oil tanker in the Persian Gulf did also little to break the gridlock over the dilemma of blocked assets because any satisfactory and lasting solution regarding this intractable trouble largely hinged on resolving the fate of Iran’s nuclear deal between Tehran and Washington.

Keywords South Korea · Moon Jae-in · Iran · Foreign policy · Strategic choice · Oil · Frozen funds · Gunboat diplomacy

Introduction
Before Moon Jae-in acceded to the presidency in May 2017, for almost two decades relationship between the Republic of Korea (ROK) and Iran had been in an upward spiral, making their increasingly growing commercial connections one of the most important bilateral interactions involving East Asia and the Middle East. Liberal as well as conservative Korean governments both played a major role in smoothing
the way for the ROK’s growing commercial and cultural clout in Iran. In 2000, for instance, under the presidency of Kim Dae-jung (February 1998–February 2003) South Korea became the Middle Eastern country’s second top import and export partner after Germany and Japan, respectively [1]. During the presidency of his liberal successor, Roh Moo-hyun (February 2003–February 2008), moreover, the ROK’s goods and brands managed to capture, slowly yet incrementally, a growing share of Iran’s large consumption markets in addition to an expanding popularity of the Korean wave (Hallyu) among many Iranian citizens despite limited high-level political interactions between Seoul and Tehran [2].

The next two conservative Korean presidents, Lee Myung-bak (February 2008–February 2013) and Park Geun-hye (February 2013–March 2017), upped the ante by either maintaining or improving South Korea’s coveted commercial status in Iran at a very critical period when the Persian Gulf country came under crippling international sanctions and constraints in the wake of stalemate over its ongoing nuclear program [3, 4]. During the presidency of Lee Myung-bak, roughly 10% of the ROK’s oil imports supplied by Iran, while the two-way trade between the two countries reached an all-time high of more than $20 billion, including both formal and informal commercial interactions [5]. Compared to her conservative predecessor, Park Geun-hye made a name for herself by becoming the first South Korean president to visit the Middle Eastern country, giving a significant boost to the political-diplomatic aspect of the ROK–Iranian ties in contemporary history. Accompanied by “the largest business delegation in the history of Korean presidential trips,” Park’s official visit to Iran (1–4 May 2016) led to signing a large number of trade and investment agreements with Tehran worth more than $37 billion, no matter if a great deal of those deals had to latter be shelved after Donald Trump was propelled into the US presidency in January 2017.

In sharp contrast to all those accomplishments and positive developments involving Seoul and Tehran over a course of some two decades, however, the presidency of Moon Jae-in made little, if any, progress in the ROK’s overall profile in Iran. More important, the scope and size of bilateral commercial exchanges involving South Korea and the Middle Eastern country plummeted markedly once Koreans under Moon moved to stop in total any import of Iranian crude oil. In the same way, the erstwhile omnipresence of Korean goods and brands in Iran’s huge markets underwent seismic changes as their supply dwindled to a trickle almost from 2018 onward. On top of that, the two countries engaged, unprecedentedly, in a lengthy diplomatic altercation over the situation of Iran’s frozen assets in South Korea. Since Seoul and Tehran failed to reach a satisfactory and lasting solution with regard to the blocked oil funds, the stalemate in their bilateral relations was to only get exacerbated and attract more international attention after Iran seized a Korean oil tanker in the Persian Gulf in early January 2021 with the aim of putting additional pressure on the Moon Jae-in-led Korean government to release the frozen funds swiftly [6].

Why did then the trajectory of South Korean–Iranian relationship under Moon Jae-in wend its way over the path which had little or actually no chance of success other than wreaking havoc upon what the two countries had accomplished for several decades? Sketching major developments in the ROK’s foreign policy toward Iran during the Moon presidency, the present study argues that South Korea’s
Setbacks in the Middle Eastern country had a lot to do with prioritizing Seoul’s peninsula policy at the cost of its vested commercial interests in Iran. Right from the start, the Moon-led Korean government had the option to either take care of its long-cherished objectives toward the communist regime of the Democratic People’s Republic of Korea (DPRK) or just strive to vouchsafe the ROK’s vested interests in the Persian Gulf country somehow similar to what several South Korean leaders had already done [7, 8]. As it turned out, Moon Jae-in and his government simply opted for close cooperation with the USA in the hopes of securing Washington’s backing of Seoul’s North Korean agenda. In the following, this research applies the concept of “strategic choice” to examine how the Moon government’s policy preference brought to bear a cascade of unintended consequences for the ROK’s Iran approach.

Framework of Analysis: Strategic Choice

In the discipline of international relations, the notion of strategic choice implies that political actors (i.e., top policymakers) calculate carefully their likely gains and costs before deciding what to do in a particular situation. When the issue at hand is a foreign policy matter, strategic choice assumes that actors need to adapt their internal capabilities to external opportunities as well as to external constraints. Those external settings, which are often fraught with strategic complexities, simply affect choices actors make. Actors or policymakers, however, cannot just proceed with a certain course of action which will likely yield their desired result because the final outcome is going to be influenced by the choices other stakeholders make as well. That is why strategic choice, as an important toolbox, plays its critical role in guiding actors to come up with a decision both for its direct impact on the result and its indirect impact on the likely actions other relevant players take after assessing cautiously various perks and prices associated with their choice [9].

Additionally, strategic choice, as opposed to contingency, highlights the proactive role of actors in decision-making and a course of action they take regardless of all internal impediments and external constraints. The fact that policymakers adapt selectively to their concrete external environment underlines a degree of latitude within which they can pursue their preferred policies in foreign affairs. Although internal as well as external limitations certainly play a part in influencing and shaping policymakers’ behaviors one way or the other, strategic choice emphasizes the autonomy of actors and their substantial freedom to make decisions and achieve crucial long-term objectives. This attribute is particularly important with regard to smaller and more susceptible players such as South Korea in the international system in which the survival and success of states largely depend on their overall capabilities and foreign policy choices they make. These actors carve out foreign policy initiatives while being cognizant of their relative power and position within the international pecking order [10].

Meanwhile, in the present research the concept of strategic choice is basically about choosing a course of action at a strategic level rather than in a strategic manner. Fixing upon a certain policy at a strategic level signifies the existence of “some hierarchy of levels of importance in decision-making,” whereas choosing in a strategic way is
mostly about the interconnection between one preferred policy and other options [11]. Since national interests are central to international relations and foreign policymaking, moreover, choosing at a strategic level is a less daunting task than going after a course of action in a strategic way. In fact, national interests are the touchstone by which policymakers can judge whether one foreign policy decision is highly and complicatedly connected to another course of action or it is just located somewhere at the lower end of the pyramid of national interests. In terms of the level of significance attached to a number of critical strategic issues at hand, therefore, strategic choice directs those top state actors to essentially pay more attention to a certain policy which, if materialized, would be a great boost to the core elements of their national interests [12].

With regard to the ROK’s foreign policy toward Iran during the presidency of Moon Jae-in, the South Korean strategic choice was about developing better relationship with North Korea or engaging in a collision course with the Trump administration over Iran sanctions. It was totally up to the Moon-led government to decide whether to follow his liberal predecessors’ policy of dialog with Pyongyang or pushing persistently, if not dangerously, Washington to give some concessions about Seoul’s commercial connections with Tehran similar to what the two conservative Korean leaders had already attempted to achieve in the Middle Eastern country. The USA was obviously the major external constraint, and the government of Moon Jae-in had to weigh the ROK’s overall gain and loss from close cooperation with or antipathy toward Washington concerning the goal of ending hostilities in the Korean Peninsula through fostering better ties with the Kim Jong-un-led North Korea and finding appropriate ways to neutralize various negative impacts of international sanctions for South Korea’s substantial commercial interests in Iran [13].

Deciding to allocate more diplomatic resources of the ROK to the North Korean or Iranian issues was, nonetheless, the Moon presidency’s strategic choice at a strategic level rather than in a strategic way. Both policy matters were certainly and strategically critical for South Korea, but the North Korean issue had long been way too significant for Moon Jae-in and his close coterie of ministers and advisors. In their weltanschauung, the long-cherished objective of fostering cordial connections to North Korea with the ultimate dream of achieving a unified Korea had long been at the upper level of the pyramid of Korea national interests [14]. By comparison, the ROK’s vested commercial interests in the Persian Gulf country and the relevant Iran sanctions were viewed to belong to the lower end of the hierarchy of the Korean national interests abroad. Under such policy calculations, therefore, it was a relatively less challenging task for the government of Moon Jae-in to capitalize on close cooperation with Washington for the sake of its North Korean agenda [15]. This strategic choice had ineluctably its own dire implications for the ROK’s relationship with Iran as the present study analyzes.

**Sowing the Seeds of Troubles: Import of Iranian Crude Oil Terminated**

For half a century, oil trade had become the backbone of South Korea’s relationship with Iran since the time they commenced their official diplomatic ties in October 1962. It was only in 2011 when the USA passed the National Defense Authorization
Act (NDAA) which basically proposed imposing sanctions on the nations that were importing crude oil from Iran. As a policy response to the international stalemate over the Iranian nuclear controversy, the NDAA was directly and critically challenging several major powers as well as some close US allies and partners which had long been among major consumers of Iran’s oil exports [16]. A number of those countries, especially South Korea and Japan, had to put to halt completely yet temporarily their oil imports from Iran in 2012 until a reasonable solution was offered by Washington [17]. The admiration of Barack Obama eventually came up with the idea of waivers or exempting some countries, including the ROK, from doing oil business with Iran in exchange for “significant reduction” in their crude imports from the Middle Eastern country [18].

The Obama administration-initiated system of sanctions waivers continued until Iran and the 5 + 1 group (the USA, France, Britain, Germany, China, and Russia) agreed for the nuclear deal of July 2015 known as the Joint Comprehensive Plan of Action (JCPOA) [19, 20]. But Trump had to bring back that discriminatory arrangement once his administration withdrew from the JCPOA in May 2018. The reapplication of waivers now seemed to be more urgent and sensible simply because almost all of the countries which were then doing oil business with Iran expressed this displeasure with the US move to quit the nuclear deal [21]. Since the other five signatories vowed categorically and unequivocally to stick to the JCPOA, a widespread international disagreement over the US withdrawal made the new use of waivers a compromise of sorts so that the USA could for now steer clear from further diplomatic disputes and potential trade wars with its important commercial partners across the world. As a result, upon leaving the nuclear deal in May, Trump swiftly redialed Iran sanctions in many areas, but sanctions against Iran’s oil and banking industries had to be postponed for another 6 months.

In November 2018, however, the Trump administration announced a ban on importing crude oil from Iran after giving a 180-day waiver to only eight countries, including China, India, Japan, South Korea, Turkey, Italy, Greece, and Taiwan. Unlike the pre-JCPOA period under Obama, the Trump-granted waivers turned out to be short-lived. In April 2019, the American officials said that they were not going to reissue waivers after their expiration on May 2, 2019 [22]. Some top Republican supporters of Trump had already questioned the rationale behind his administration’s decision to grant waivers which they practically considered “a direct contradiction” of abandoning the nuclear deal Trump himself had long opposed determinedly and unflinchingly [23]. After discarding the waiver arrangement, the US policy was to “bring Iran’s oil exports to zero, denying the regime its principle source of revenue” [24]. The Trump administration also vowed that it will enforce strictly all relevant Iran sanctions and monitor full compliance with them, causing more anxiety among a number of Tehran’s major oil partners such as the ROK which was already experiencing serious difficulties in adjusting to the new US policy of virtually bringing the export of Iranian crude oil to nil [25].

Despite its inclination to keep up with the long business of crude imports from Iran, South Korea was not really willing to challenge the Trump administration which had already supported, albeit implicitly, Moon Jae-in’s policy toward North Korea. In September 2018, therefore, the ROK announced publically that the East
Asian country had brought to nil its imports of Iranian oil. Before South Korea’s oil trade with Iran ground to a halt, the East Asian nation was importing some 180,000 bpd from the Middle Eastern country against a backdrop of purchasing 147 million barrels throughout 2017 [26]. Still, South Korea did not commit itself fully to a permanent halt in September 2018. In May 2019, it was surprisingly reported again that the ROK put an end to its oil imports from Iran before moving in September 2019 to terminate the won-denominated payment account, which for many years had become the main method of sorting out various financial issues involving Seoul and Tehran [27]. It seemed that during those several months the Korean government had taken advantage of every useful channel, including the Significant Reduction Exceptions (SREs) system, to preserve its critical access to Iranian crude.

In particular, the Koreans were interested in the high-quality condensate supplied by the Middle Eastern country as the ROK soon started to worry that its petrochemical industry would encounter serious problems by missing the Iranian condensate. With regard to the quality of Iranian crude, a Korean newspaper once revealed that “Iranian condensate’s naphtha content surpasses approximately 70%, while that of other countries’ condensate remains around 50%. This means domestic petrochemical firms need more oil to produce the same amount of naphtha if they use ultra-light oil from other countries” [28]. In the first quarter of 2018, for instance, more than 50% of all condensate imports to South Korea had been supplied by Iran through the three Korean companies of SK Incheon Petrochem, Hyundai Oilbank, and Hanwha Total. Before being compelled to end its oil deals with Tehran in May 2019, therefore, all the crude which the ROK imported from the Persian Gulf country during January and February of that year turned out to be 100% condensate. For the following months of March and April, the share of condensate from South Korea’s Iranian crude was around 70%.

At the same time, the Trump administration had guaranteed South Korea for the umpteenth time to replace swiftly and comfortably its lost imports of Iranian crude by more supply of oil from Saudi Arabia, the United Arab Emirates (UAE), and especially the USA. In sharp contrast to 2016, for example, the ROK’s oil imports from the USA increased by 520% in 2017 and 3400% in 2018. But moving to stop in total any import of crude oil from Iran turned out to create more problems than met the eye, though the Korean government had to also hide its displeasure with reimbursing the Asian country’s oil companies for “excess transportation costs” caused by the replacement of Iranian crude supplied by non-Middle Eastern nations located in Africa, Europe, and the Americas [29]. From now on, almost every aspect of South Korean–Iranian bilateral relationship, from diplomacy to technology and from commerce to culture, was to be affected corrosively by the lack of oil business between the two countries.

Burst into the Open: Tensions over the Frozen Funds

Until 2008, international banking was possible for Iran as many foreign financial institutions were able to take advantage of their American subsidiaries to transfer money to Iranian banks. This method of financial interactions with the Middle
Eastern country hit a brick wall in 2008 when anxiety and disputation over Iran’s WMDs intentions reached fever pitch and Tehran was basically suspected of making use of international financial transactions in order to pour funds into its ongoing nuclear and missile programs [30, 31]. The Islamic Republic was, moreover, subject to four UN Security Council resolutions, beginning with Resolution 1737 on December 23, 2006, and culminating in Resolution 1929 on June 9, 2010. Under these uncompromising resolutions which curtailed substantially Iran’s previous access to international banks and other financial institutions, all UN members had been required to block funds and assets belonging to the Iranian entities and individuals who were allegedly playing a critical role in the Persian Gulf country’s nuclear and missile programs [32, 33].

To cap it all, the USA, as the biggest proponent of pressuring Iran at the UN system, carved out its own sanctions and punitive measures targeting Tehran. Several US bills such as the Iran Threat Reduction and Syrian Human Rights Act of 2012 plus all the four crippling sanctions resolutions which had already been adopted by the Security Council from December 2006 to June 2010 were to strikingly strangle Iran’s access to international financial system. If foreign beneficiaries still dared to disregard what American banks demanded, they would just subject themselves to any potential US retaliation such as being cut off from the powerful Society for Worldwide Interbank Financial Communications (SWIFT) which is controlled by the USA. Access to the SWIFT system is a must for any business involving international financial transactions [34, 35]. As a result, Iran became subject to an international monetary blockade which was enforced more vigorously by the USA roughly from 2010 until almost January 2016 when the nuclear deal between Tehran and the sextet was implemented. Financial sanctions led to a detrimental devaluation of Iranian currency, rial. More important, they locked up tens of billions of dollars which Iran owned for its exports to other countries such as the ROK. American banks and financial institutions had simply threatened their foreign clients, including major Korean and Japanese banks, not to transfer any funds to Iran or otherwise they would risk losing their access to US banking system [36, 37].

In July 2010 when the USA passed the Comprehensive Iran Sanctions, Accountability, and Divestment Act, therefore, three South Korea-based Iranian entities had been included in the US list: Iran Petrochemical Commercial Company, the CISCO Shipping Company, and the Seoul branch of Bank Mellat. At that time, Iran’s Bank Mellat had foreign branches in only three countries, including Turkey, Armenia, and the ROK. Since South Korea’s financial institutions which were going to continue their cooperation with the Seoul branch of Bank Mellat could not engage in business with American banks and financial bodies, the Iranian bank soon became a target of US demands from the Korean government [38]. In early August 2010, Washington dispatched to Seoul the US State Department’s coordinator for North Korean and Iran sanctions, Robert Einhorn, demanding the Korean government to freeze Bank Mellat’s assets and shut down its activity in the ROK. By early next month, South Korea basically terminated the Iranian bank’s activities after its officials from the Financial Supervisory Service (FSS) accused the Seoul branch of Bank Mellat of having “engaged in obscure foreign currency transactions aiding Iran’s nuclear activities during a regular inquiry on the bank” [39].
Within a year after the move against Iran’s Bank Mellat, the Korean conservative government of Lee Myung-bak was persuaded by the Democrat administration of Barak Obama to initiate its own tougher economic sanctions against Tehran in addition to the implementation of relevant UN and US punishments for which the ROK was already under tense pressures by Washington [40]. Basically, the Koreans were encouraged to more than ever appreciate their alliance and friendly relationship with the USA as a powerful bulwark to counterbalance North Korea’s saber-rattling jingoism and China’s frighteningly growing clout in East Asia. On top of that, US officials asked their Korean counterparts not to contradict themselves by actively backing all types of financial sanctions against Pyongyang, while at the same time taking a somehow reluctant position with regard to carrying through punitive financial measures against Tehran. As a result, by December 2011 or roughly 1 year after the Seoul branch of Bank Mellat was blacklisted by the ROK, the Lee-led government of South Korea sanctioned financially some 201 entities and 30 individuals from the Middle Eastern country for their alleged role in the Iranian nuclear program [41, 42].

Meanwhile, another equally vexing trouble was the economic fallouts of Iran sanctions for the ROK’s major corporations and a large number of Korean smaller firms which were doing business with the Persian Gulf country. One early solution was to use banks and financial institutions of a third part, such as the UAE, to sort out various monetary matters between Korean companies and their business partners in Iran. Since dollar-based economic interactions between Iran and other nations had been banned, Seoul and Tehran still wanted to circumvent sanctions by using the Korean national currency, won. Thus, with a tacit approval of the US government, in 2010 the ROK’s state-run Woori Bank and Industrial Bank of Korea (IBK) were given the mandate to open a won-based “escrow account” for the Central Bank of Iran (CBI) through which the two countries could settle their financial transactions [43]. To clear up payments, the same account could be used by Iranian importers of Korean products and South Korea’s importers of Iranian crude oil and condensate [44].

For the ROK, however, the rewards from operating the won-based settlement system with Iran was more than met the eye. That was no coincidence why the Korean government had intentionally selected two state-run financial institutions to manage the won-based settlement system with Iran, though “security reasons” was its main justification. In practice, the two Korean banks made a lot of profits because both of them could handle, on average, some 10 trillion won (more than $9 billion) of Iran-related funds annually. Each bank almost always enjoyed a few trillion won in deposits which it could invest in some profitable businesses. In 2011 or 1 year after presiding over the system, for example, Woori Bank witnessed a remarkable inflow of 3.4 trillion won (roughly $2.9 billion) into its pool of deposits from the ROK’s energy business with Iran. At that time, the entire deposits of South Korea’s fourth largest bank, Hana Bank, was less than the 3.4 trillion won figure which Woori Bank had incorporated into its financial stock [45]. Since the won-based settlement system between the ROK and Iran was to keep going for at least a decade, the rosy prospect of bringing in huge earnings for the two Korean banks became stark in its clarity.
Despite its significant advantage for the ROK, the won-based settlement mechanism could hardly satisfy the Iranian government which demanded some adjustments to the system once Tehran started to fulfill its commitments under the nuclear deal in early 2016. Woori Bank soon declared its willingness to set up a representative office in Tehran to essentially become the first Korean financial institution to commence its banking business in Iran [46]. In August 2016, moreover, South Korea announced that the East Asian nation was going to start a euro-based payment system for doing business with the Mideast country [47]. None of those initiatives turned out to be really functional, and the ongoing won-based settlement system between the two parties needed to continue its assigned task. But a big problem was that the Iranian government was still not permitted to have complete access to its Woori Bank’s and IBK’s accounts despite its full commitment to the JCPOA. The South Korean government had unblocked only a small fraction of Iran’s frozen assets, and the two Korean banks were going to keep the rest of the Iranian funds frozen for an unforeseeable future [48].

On May 2, 2019, however, the entire won-based settlement system came to a standstill after the expiration of the Trump administration’s temporary oil waivers for South Korea and seven other nations. The liberal Korean government of Moon Jae-in made an appeal to Washington to let the won-based settlement system between the ROK and Iran run as usual by arguing that this financial mechanism was actually different than the oil waiver system. The USA simply ignored the ROK’s request, and the outcome thereby created a whole host of troubles for South Korean–Iranian relations as well as for those 2111 Korean companies which had some commercial interactions with the Persian Gulf country. Unlike his conservative predecessors, South Korea’s Moon Jae-in had already demonstrated more willingness to cooperate with the Trump administration regarding Iran sanctions partly because he desperately needed Washington’s favor to go ahead with some of his Pyongyang-friendly policies. In the following months after the won-based settlement system stopped its services, Moon’s strategic choice of sustained close cooperation with Washington was to only frustrate many Iranian officials and aggregate the already tense situation between the East Asian nation and the Middle Eastern country [49].

By mid-2020, therefore, a confluence of crippling economic pressures and the deterioration of the COVID-19 pandemic brought the ROK–Iran tensions out into the open as the Iranian government increasingly publicized its unequivocal quest for unblocking the frozen assets in South Korea. To partially assuage Iran’s anger over its frozen assets, the Korean government had already dispatched to Tehran Song Wong-yup, a board member of Korea International Cooperation Agency (KOICA), to deal with the worsening diplomatic crisis between Tehran and Seoul [50]. As another sign of its well-intention, the ROK also shipped to Iran some $500,000 worth of medicine to help the Iranian government better cope with its coronavirus plight [51, 52]. But none of those initiatives prevented the spokesman for the Iranian foreign ministry to go out of his way and lay the blame on South Korea for “having a master-servant relationship with the United States” during one of his regular official briefings in July 2020. The Korean Foreign Ministry immediately summoned Iran’s ambassador to Seoul to file a complaint with regard to the “inappropriate comments” uttered by the Iranian official. In response, all the Iranian top envoy to
the ROK had to say was that those comments were not the official position of the Iranian government [53].

But in Tehran, the Iranian government upped the ante by raising the possibility of taking legal action against South Korea with regard to its frozen assets in Seoul. Iranian media reported that the Middle Eastern country could take South Korea to the International Court of Justice (ICJ) over the frozen assets. The main argument was that ROK’s policy behavior was in obvious violation of international law as Seoul could unblock Iranian assets without infringing sanctions rules and regulations. Later, the Central Bank of Iran’s Governor, Abdolnaser Hemmati, said in an interview that South Korea should also pay appropriate compensation for its “illegal freezing of Iran’s funds.” In his view, there was not really any legal impediment to unfreeze the assets, and the only problem was the lack of political will on the side of the Moon Jae-in-led Korean government. During the interview when the reporter asked Hemmati about the feasibility of transferring Iranian frozen assets in South Korea to INSTEX, which happened to be a Swiss-proposed monetary channel to facilitate financial transactions between Europe and Iran, he replied that the Korean government basically “lacked the political will” to consider such suggestions, after highlighting the fact that INSTEX had been to no avail because of certain sanctions and restrictions pushed by the USA [54]. The Iranian Foreign Minister, Mohamad Javad Zarif, echoed a similar position, stressing that the ROK seized Iranian assets “upon US orders” at a trying time when his country critically needed those funds to spend on its required foods and medicines. Additionally, Zarif tried to overemphasize the factor of Iran’s consumption markets by warning that South Korea and its businesses will be “the final losers in this game” [55].

Since the threat of banning or limiting South Korean access to Iran’s huge markets had long been exploited by many Iranian officials across the political spectrum to caution the ROK against taking unfriendly steps toward Tehran, therefore, it was a good time to widely capitalize on such an ace in the hole. A number of Iranian lawmakers announced that they were planning to pass a motion in the parliament in order to prohibit completely the import of Korean goods [56, 57]. Some of them even suggested that the Islamic Republic should take advantage of its influence in the Islamic world and promote the idea of boycotting Korean products by other fellow Muslims [58]. Many Iranian observers and pundits, however, rejected such “naïve proposals,” pointing out that such measures would only serve China and its products of subpar quality in the wake of limited or no access to the quality Korean goods. The Trump administration-imposed sanctions had already curtailed substantially the availability of some Koreans brands and goods for the average Iranian shopper, and any move by the government in Tehran to outlaw the restricted supply and sale of Korean products could only add more pressures on the Middle Eastern country’s struggling consumption markets [59, 60].

Still, there were many other powerful forces, mostly conservative opinion-makers and analysts in the media and press, who thought that South Korea’s rather easy access to Iranian profitable markets was actually the root cause of the problem [61]. In their views, the Iranian government was to be blamed partly for the setback over the frozen assets in the ROK because it had provided unwarrantedly a lot of great opportunities for a whole slew of Korean companies over years, making Koreans
“stubborn and insolent” to the extent that they could now ignore Iran’s legitimately repeated requests to have access to its blocked funds in the East Asian country [62]. They were also questioning the government how Woori Bank could “shamelessly” ask from Tehran to pay maintenance fee after making the most of Iranian frozen funds, though the South Korean bank had previously issued a statement, emphasizing that “Woori has continued to pay interest on Iran’s deposits without demanding any maintenance fee” [63]. At the same time, there were some suggestions urging Iranian policymakers to downgrade the level of politico-diplomatic relationship between Iran and South Korea in order to put additional pressures on the ROK government to unfreeze the blocked funds [64]. It was, therefore, this group of largely partisan and zealot individuals or their stalwart peers and friends in the establishment of the Islamic Republic who advocated a harsher, and probably even violent, response by Iran regarding its badly needed assets frozen in the East Asian country.

**Gunboat Diplomacy: Seizing Korean Oil Tanker**

On January 4, 2021, the Islamic Revolutionary Guard Corps (IRGC) seized the South Korean oil tanker, MT Hankuk Chemi, near the Straits of Hormuz in the Persian Gulf. The Korean ship carrying 7,200 tons of ethanol was then taken to Bandar Abbas along with its 20 crew members, including five Koreans, 11 Myanmarees, two Indonesians, and two Vietnamese. The charge put forward against the vessel was that it had “repeatedly violated maritime environmental rules of Iran,” though Iranian officials never presented any evidence with regard to the leaking of toxic chemicals by the Korean tanker into the Persian Gulf [65]. Iran and South Korea had already been at loggerheads over the frozen funds for some 2 years, and almost any interested observer could instantaneously link the incident to Tehran’s failure in forcing the Moon-led government of the ROK to unblock its assets. Some 2 weeks had left before the inauguration of Joe Biden’s presidency in the USA, and the only thing the lame duck administration of Donald Trump could do was to urge Iran to “immediately release” the Korean tanker and its crew [66].

For South Korea, IRGC’s move was at first tantamount to hostage taking, but the spokesman for the Iranian government, Ali Rabiei, discarded such allegations by stressing that “if there is any hostage taking, it is the Korean government that is holding $7 billion of Iran’s assets on baseless grounds.” The Korean government even considered taking legal action against the ship seizure by Iran; a highly problematic action which could deal a serious blow to the entire foundation of South Korean–Iranian relations in different areas [67]. Given the prospect of a potentially major shift in Washington’s policy behavior toward Tehran under Biden, however, South Korea’s government as well as its media and press soon embraced a more conciliatory tone and favored diplomacy to settle the crisis. The ROK’s Vice Foreign Minister, Choi Jong-kun, led a delegation to Tehran, but after 2 days he left Iran empty-handed and went to Doha to ask for Qatar’s mediation given the small Arab sheikhdom’s relatively friendly ties with Tehran [68]. The Iranian government declined swiftly to accept another nation to act as an intermediary, saying that “we don’t accept political mediation on technical issues” [69].
Meanwhile, during and after Choi’s visit to Tehran, several proposals were discussed by the two countries to iron out both the seizure of tanker and frozen assets issues. Before the ROK’s vice foreign minister arrived in Tehran, the two countries had explored a whole host of proposals, including the allocation of all Iranian frozen funds to purchase coronavirus vaccines from South Korea [70]. When some of those proposed solutions were leaked to media and press, one party often accused the other side for raising the idea in the first place, though none of those suggestions could quickly break the deadlock over their differences. One proposal was to barter almost all of Iran’s frozen funds to import ambulance vehicles and coronavirus test kits from South Korea which had to bear the brunt of winning over Washington’s potential displeasure with such proposed deals. Another more controversial idea was that the South Korean government could use the Iranian frozen assets to pay some $16 million for Iran’s UN membership fees and debts, but the main impediment was that the ROK had to first convert the money from Korean won to US dollar, and this option was not possible under Iran sanctions. It was also reported that the US government had basically rejected any payment for Iran to the UN system through the East Asian country [71].

Whether or not the two governments had already bargained over a satisfactory deal, in early February 2021 Iran freed 19 members of the crew, but the tanker and its captain remained in custody. It took another 2 months until the Iranian government decided to release the Korean ship and its captain in April [72, 73]. This time the prospect for a lasting settlement looked bright because a few days after the release of tanker, South Korea’s Prime Minister, Chung Sye-kyun, paid an official visit to Iran. It was the first time a South Korean premier was traveling to Iran after some 44 years amid lingering tensions between Seoul and Tehran over the frozen funds. Despite much expectations, however, Chung was both chastised and cold-shouldered by Iranian officials. He even failed to secure a short meeting with the Iranian President, Hassan Rouhani, who used to host many other foreign dignitaries of lower rank, including deputy prime ministers and foreign ministers. Besides acknowledging Iran’s legitimate right to have access to its frozen funds, all the Korean premier could offer in Tehran was to express his country’s willingness to give “sideline support” for Iran’s ongoing negotiations with representatives from the Biden administration and other 5 + 1 governments over the fate of the JCPOA [74].

As the US Secretary of State, Antony Blinken, had already made it clear, any potentially grand bargain between South Korean and Iranian leaders concerning the frozen assets required Iran’s “full compliance with the nuclear deal” [75]. The hands of South Korean leaders had simply been tied by such a clear-cut American guideline.

It turned out, therefore, that by late April 2021, Iran had received only $30 million out of some $7 billion of its frozen assets in the ROK [76]. This was in sharp contrast to some reports that the Korean government had pledged in February to help release at least $1 billion from Iranian blocked funds a bulk of which kept by Woori Bank and the IBK [77]. Such a negligible achievement also greatly contradicted the sentiments and views of some Iranian conservative media and press over the ostensible submission of South Korea to Iran’s will power. They were basking in joy while they were reporting about the arrival in Tehran by South Korea’s vice foreign minister and prime minister in January and April, respectively, attributing it
largely to Iran’s tough language expressed through the IRGC’s gunboat diplomacy [78, 79]. But only time will judge whether the seizure of South Korea’s cargo ship was really a worthy accomplishment or it will go down in history as another terrible blunder which only served to poison the climate of Korean–Iranian relationship unbroken over the past several decades.

**Conclusion**

Roughly four-fifth of Moon Jae-in’s presidency coincided with the administration of Donald Trump who by and large pursued a conciliatory approach toward North Korea, while he fell in a collision course with Iran culminating in the unilateral decision of abandoning the landmark nuclear deal in May 2018 and the follow-up reinforcing of all crippling international sanctions against the Middle Eastern country. Upon occupying the office of Korean presidency in May 2017, Moon and his close cohorts were in favor of engaging Pyongyang, finding Trump’s rather easygoing policy with regard to the Kim Jong-un-led communist state to be fully in sync with their North Korean agenda. Halfway through developing friendly ties with Pyongyang, however, Moon and his Democrat government in Seoul came under tremendous arm-twisting by the USA to curtail, and even abandon in total, South Korea’s substantial commercial interactions with the Persian Gulf country in the wake of tossing aside the JCPOA by the Trump administration.

In contrast to his liberal and conservative predecessors, Moon did not really insist on maintaining the ROK’s increasing trade relationship with Iran lest angering Washington cause serious troubles for his ongoing engagement with North Korea. His government’s strategic choice was bound to have both advantages and disadvantages for Seoul’s policies toward Pyongyang and Tehran. The rewards had a lot to do with Moon’s approach to foster better connections to the Kim Jong-un-controlled North Korea. The Trump administration had already started to reverse Obama’s relatively antagonistic approach toward Pyongyang, and it was a propitious opportunity for the Moon presidency to advance its North Korean policy by capitalizing on Trump’s less hostile, if not mention occasionally friendly, exchanges with the Kim Jong-un regime. Benefited from a tacit approval of the Trump administration, therefore, Moon had little problem in building domestic, regional, and international consensus to proceed with his government’s firm intention to chip away at Seoul’s historical differences with Pyongyang about a decade after his conservative predecessors had made little progress, if any, in the ROK’s rather stagnant relationship with the communist regime of the DPRK.

At the same time, the fallouts from the Moon government’s strategic choice were equally formidable for the ROK’s substantial commercial ties with Iran. The South Korea–Iranian bilateral relationship simply sank to its lowest ebb in recent decades, creating a whole host of problems in various diplomatic and economic areas involving the two countries. Apart from terminating oil deals and withdrawing Korean businesses from Iranian markets, the two countries engaged publicly in a lengthy diplomatic dispute over the status of Iran’s oil incomes frozen in South Korea under the diktats of international financial sanctions levied against Tehran.
Their failure to come up with a persuasive and lasting solution with regard to the blocked funds in the ROK worth at least $7 billion led Iran to resort to a harsher approach by seizing a Korean oil tanker in the Persian Gulf in early January 2021, aiming to put additional pressure on the Moon government to facilitate Tehran’s unrestricted banking access to its funds most of which had been frozen by Woori Bank and the IBK in Seoul.

Although Iran later released the Korean ship and its crews, the two sides still were unable to settle the deadlock over the fate of Iran’s frozen assets by South Korea despite a number of high-ranking Korean officials, including Prime Minister Chung Sye-kyun, visited Tehran to iron out their disagreements. More important, many top political authorities in Tehran have vowed not to let Korean companies and their products return to Iranian markets any time soon in the wake of the Moon government’s policy behavior concerning the end of importing Iranian crude oil and ruling out Tehran’s access to its badly needed funds in the ROK. Against a backdrop of ruined relationship between Seoul and Tehran during the Moon presidency, however, a great deal of future South Korean–Iranian connections, both diplomatically and economically, will hinge on Iran’s troubles with the USA over the nuclear deal which Trump quit in May 2018. Any compromise between Tehran and Washington with regard to the JCPOA would certainly pave the ground for Iran’s banking access to its frozen funds abroad including those kept in the ROK. A settlement of this kind would also breathe a new life into South Korea’s interrupted commercial relationship with the Middle Eastern country, though the South Koreans may not easily regain their erstwhile prestige and success in Iranian markets.

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