Azerbaijan’s Far Eastern orientation and South Korea

Bulent Aras* and Reha Yilmaz

“Department of International Relations, Isik University, Istanbul, Turkey; bTroy University, Troy, Alabama, USA

This paper focuses on Azerbaijan’s outreach toward East Asian countries and its relationship with South Korea. Despite their geographical distance from Azerbaijan, countries in the Far East, especially China, Japan, and South Korea, have demonstrated an interest in engagement and explored potential avenues of cooperation. Azerbaijan established support for its political priorities and for its stance on the Karabakh issue as prerequisites and confidence-building measures for potential investors. East Asian states easily fulfilled these two criteria, due to their geographical and ideological distance from the political dynamics of the Caucasus. South Korea showed a genuine concern for Azerbaijan’s national interests and problems and played a key role in its economic development. While South Korea was a latecomer, mutual political trust and fruitful economic relations were quickly established. The Azeri administration has entrusted South Korean public and private investors with many significant current and future projects in the oil- and non-oil-related fields. This paper concludes that these projects are indicators of the central role that South Korea will play in Azerbaijan’s future.

Introduction

Azerbaijan, a country that has, since independence, been strained by episodes of domestic unrest and especially by the war in Karabakh, began a process of recuperation during Heidar Aliyev’s administration, as the president enacted first administrative and later economic and foreign policy reforms. By mortgaging its vast natural resources, Azerbaijan secured an element of consistency and thereby acquired the ability for representation in the international arena. Subsequently, Azerbaijan evolved into a hotspot for energy and natural resources by hastily developing close ties and partnerships with several countries. The Azerbaijani administration engaged more intensively in dialogue with Western countries but was also willing to develop close bilateral relationships with regional actors.

Despite their geographical distance from Azerbaijan, countries in the Far East, especially China, Japan, and South Korea, demonstrated an interest in engagement and explored potential avenues of cooperation. Azerbaijan, in return, employed the political, technological and economic potential and resources offered by these countries to advance its development and to obtain recognition for its political messages on the international stage. South Korea has an exceptional place among its neighbors due to its involvement with Azerbaijan. South Korea showed a genuine concern for Azerbaijan’s national interests and problems and played a key role in its
economic development. South Korea’s interest in Azerbaijan dates back to the start of the 21st century, when the former discovered the latter’s vast energy resources during the times of an increasingly volatile oil market.

Several high-level meetings between Azerbaijan and South Korea created an environment of trust, which subsequently paved the way for an economic relationship. Today, there is an eminent trade partnership between the two countries. This paper focuses on Azerbaijan’s outreach into East Asian countries and its relationship with South Korea. This paper will begin by discussing the central elements, main objectives, and historical evolution of Azerbaijani foreign policy. Then it will discuss Azerbaijan’s policy toward East Asia, followed by the history, fundamentals, and current status of Azerbaijani–South Korean relations.

Azerbaijan’s foreign policy

Azerbaijan gained its independence after the dissolution of the Soviet Union. Its foreign policy is shaped by regional and international factors and by Baku’s attempt to pursue the country’s national interests. Its priorities were to preserve national and territorial unity, gain recognition in the international arena, be justified by the international community in its position against Armenia, and achieve a favorable solution to the Karabakh problem. The problems of state-building and nation-building were compounded by the war against Armenia, and these problems were reflected in Azerbaijan’s foreign policy. Because of post-independence difficulties, it took Azerbaijan several years to stabilize domestic politics and adapt its foreign policy to regional and international balances.

Azerbaijan declared independence, achieved international recognition shortly thereafter, and became a full member of the United Nations (UN) in 1992. The post-independence period was characterized by the Karabakh war, which produced severe political and economic repercussions. Azerbaijan lost the Karabakh region to Armenia, and one-fifth of its territory is now under Armenian control. Azerbaijani suburbs host one million war refugees.

The problems associated with the Karabakh issue and the war against Armenia created an urgent need for a balanced foreign policy to protect the country’s territorial and political unity. In order to counter ethnic separatism and the negative effects of the Armenian occupation, and to establish the unity and security of the country, Azerbaijan needed a foreign policy based on political and economic harmonization with international states. This new policy was shaped under the priority of Azerbaijan’s national and international policies within regional and global realities. The aim was to integrate Azerbaijan into international society and the global economy. Former President Heidar Aliyev’s administration (1993–2003) was characterized as an era of stabilization and normalization.

Azerbaijan’s problems in formulating its domestic policy and constructing its state institutions inevitably affected its foreign policy. Following decades of forced coexistence within the USSR federal system, Azerbaijan struggled to engender an independent foreign policy; to determine its basic elements, aims, and objectives; to establish its presence in the international arena; and to engage in the existing system of international relations. Meanwhile, Heidar Aliyev’s assumption of power in 1993 improved domestic politics in Azerbaijan, and this improvement permeated the realm of foreign policy.
Geopolitics and natural resource wealth in Azerbaijan have been of utmost importance in reaffirming Azerbaijani independence and protecting its national interests. Officials in Azerbaijan have successfully convinced the global energy sector’s leaders of the abundance of Azerbaijani natural resources and of the advantages of the country’s geopolitical status. The “Contract of the Century” signed on September 20, 1994 to form an international oil consortium promoted Azerbaijan to an internationally influential position and allowed Azerbaijan to access, to a limited degree, international aid. The “Contract of the Century” and many other agreements precipitated Azerbaijan’s integration into the international community by proliferating avenues of bilateral cooperation that reproduced common characteristics between Azerbaijan and the rest of the world. Acquiring status and recognition in the international community was one of Azerbaijan’s foreign policy priorities.

Another marker in Azerbaijani foreign policy was the “Silk Road Conference: Regional Cooperation, Understanding, and Prosperity,” held with the participation of 32 states and 13 international organizations on September 7-8, 1998. The European Union (EU), in an effort to resuscitate the Silk Road as part of its Transport Corridor Europe Caucasus Asia (TRACECA) program, (Europe–Caucasus–Asia transportation corridor) extends vast opportunities to countries located on this historical trade route along Europe, the Caucasus, and Asia. Thanks to this project, Azerbaijan built formidable communication links and bilateral economic partnerships with the countries on this trade route. While expanding its international relations experience and consolidating its economic and political development, Azerbaijan entered into bilateral and multilateral relationships with an intention to preserve its national interests via internationally sanctioned principles and norms.

Azerbaijan grew closer to European countries and implemented several projects with them. This process, initiated by Heidar Aliyev, strengthened Azerbaijan’s diplomatic relationships with powerful states, such as Britain and France. Significant steps have been taken toward affirming Azerbaijan’s independence and resolving the Karabakh problem, with assistance from powerful third parties. Azerbaijan has a particularly difficult relationship with Russia, and these difficulties hinder its choice of a foreign policy axis or alliances. Azerbaijani foreign policy-makers were forced to determine the country’s foreign policy on the basis of impartiality. As a result of its impartiality, Azerbaijan strives to pursue a balancing, mediating, and independent foreign policy and to avoid aligning with any side or bloc in the international arena. According to the perceptions of the Azerbaijani foreign policy elite, there have been critical periods in the country’s history where Azerbaijan reached the brink of disintegration, and since its independence, it has fought a continuous battle for existence in a challenging regional environment and a nebulous international system.

The 1995 Constitution of Azerbaijan spells out its foreign policy orientation, objectives, principles, and basic characteristics. Article 10 states that Azerbaijan will govern its relationship with foreign states according to international norms and national legislation. This principle was promulgated by Heidar Aliyev during his first term as President, when he was sworn in as the head of state and leader of the nation. Aliyev, in his inauguration speech on October 10, 1993, said that the primary aim of Azerbaijan henceforth was to implement a pragmatic and beneficial foreign policy, which would protect national interests internationally. He believed that in the dawn of a new era for Azerbaijan, the challenges to Azerbaijani independence ought to be
addressed through the construction of equality-based, mutually beneficial, and fruitful relationships with other states. These relationships ought to help Azerbaijan increase its political clout in the international arena, and at the same time develop the country’s economy, science, and level of civilization. These core principles, set out in his inaugural speech, constituted the basis of Azerbaijani foreign policy and were elaborated in time for implementation. Since its foundation, Azerbaijan led its foreign policy without diverting from these core principles and has thus avoided any bilateral or multilateral alliances.

These core principles have continued to develop as a result of Azerbaijan’s unfortunate developments with foreign policy, dating back to 1991. The self-contradicting policies of the initial years of Azerbaijani history were replaced with a relatively more consistent foreign policy direction and decisions during Heidar Aliyev’s rule. Among the problematic policy proposals are the unification of North and South Azerbaijan, the destruction of Armenia by weapons of mass destruction, the cessation of communication and severance of ties with Russia and the former Soviet Republics, and the speculation of a possible unification with Turkic Republics. These developments aroused suspicion in the international arena with respect to Azerbaijan’s foreign policy.

From the perspective of the Azerbaijani foreign policy elite, there are two organizations that may potentially support Azerbaijan in resolving regional security problems. The first is the “Treaty on Collective Security,” spearheaded by Russia within the Commonwealth of Independent States (CIS), and the second is the U.S.-led North Atlantic Treaty Organization (NATO). Moreover, Iran, as a regional actor endowed with an independent policy toward the region, may be considered a source of potential support. Since its independence from the USSR, Azerbaijan has maintained its distance from Russia, a policy that carried the risk of loss of territory in Karabakh. Consequently, Azerbaijan successfully resisted Russian pressures to sign the “Treaty on Collective Security.” However, at the same time, Azerbaijan could not employ policies that would render it an independent actor in the region, like Iran or Turkmenistan. Therefore, Azerbaijan aims to become integrated with NATO and to engage in the Western security framework, although the realization of such a goal is not imminent.

Azerbaijan’s approach to East Asia

East Asian states have a special place in Azerbaijan’s foreign policy. Bilateral and multilateral relations between Azerbaijan and East Asian states developed after the former gained its independence and was recognized as a UN member, and improved considerably in the economic arena. Countries like Japan, China, and South Korea, which turned East Asia into a leading region for trade and commerce, became important trade partners with Azerbaijan. One of the reasons why these countries make attractive trading partners for Azerbaijan is that they have a policy of non-interference in the domestic affairs of the countries with which they trade. Private and public investors from these East Asian countries prefer to enter into partnerships with countries on the basis of manufacturing, commerce, and humanitarian aid alone. At the same time, these countries favor foreign capital and tend to invest heavily abroad. While Azerbaijan has close ties with all East Asian states, China,
Japan, and South Korea have particularly deep engagements with Azerbaijan’s private and public sectors.

Azerbaijan’s political relationship predates its economic relationship with China. On December 27, 1991, China recognized Azerbaijan’s independence, and on April 2, 1992, diplomatic relations were established between these two countries. In August 1992, China became one of the first countries to establish an embassy in Azerbaijan. Azerbaijan reciprocated the following year and agreed on sending a diplomatic mission to China; the embassy of Azerbaijan in China opened in 1993. Shortly thereafter, the visa regimes on both sides were amended, facilitating a closer political relationship. The economic relationship between China and Azerbaijan, next in importance to the political partnership already in place, was implemented later. Bilateral agreements concerning a number of important areas—including the Azerbaijan–China Cooperation Agreement on Trade, the encouragement of investment, cooperation on radio, television, tourism, education, health, and cultural activities, the distribution of state benefits, investment in security, improvement of financial technologies, the abolition of double taxation, the reduction of customs duties, and judicial assistance—were signed and implemented without delay.\(^{17}\)

The partnership and cooperation agreements signed by ministers of foreign affairs and ministers of state\(^{18}\) from Azerbaijan and China, and the immediate supply of relief by China to Azerbaijan in times of trouble, injected a positive mood in both countries. Furthermore, China transferred US$3 million worth of funding to Azerbaijan during the post-1992 period when Azerbaijan experienced considerable financial difficulty.\(^{19}\) In order to coordinate their rapidly growing economic relationship, the Sino-Azerbaijani Economic and Trade Cooperation Committee was established to determine areas of potential investment and cooperation and to oversee the implementation of bilateral agreements; it was most effective in attracting Chinese investors to the Azerbaijani market.

The fact that China’s activities in Azerbaijan span a wide range of areas and sectors (justice, communication, education, sports, etc.) demonstrates the prevalence of the Sino-Azerbaijani bilateral relationship. Evidently, China’s involvement in Azerbaijan extends to the strategically crucial fields of state security and communication technologies, and this involvement is especially critical for Azerbaijan, located as it is in a conflict zone. Sino-Azerbaijani relations progressed considerably due to diplomatic visits conducted by high-level officials from both sides. Following the acceleration of the bilateral relationship, triggered by high-level official visits, state ministers, foreign affairs ministers, high-level representatives of state tourism, defense, educational, and cultural institutions from Azerbaijan and China actively collaborated to formulate the political bases of bilateral relations.\(^{20}\)

Azerbaijan was China’s political ally as well, and supported China’s policies toward Taiwan, Tibet, and Eastern Turkistan. The international community regarded these policies as controversial, and Azerbaijan’s unconditional support was therefore very important. However, Azerbaijan was also concerned that China maintained a close relationship with Russia and was obliged to promote Russian interests in many areas. Further cause for concern was that China was also expanding its economic relationship with Armenia. On April 26, 2000, the Chinese Ambassador to Yerevan, Jao Shun, held a meeting with Armenia’s Prime Minister Aram Sarkisian and discussed the possible merger of Armenia’s Nairit, one of the
largest rubber and plastics producers of the CIS, with several companies from China’s chemicals sector.

In April 2000, China pursued other economic initiatives and partnerships in the Caucasus. The Uanboa Engineering Corporation of China negotiated with Armenian ministers of energy, economy, and finance on the construction of the natural gas pipeline between Iran and Armenia and offered to finance and carry out the US$120 million construction project. China, with the permission and assistance of Russia, sold eight Typhoon missiles (with a range of 60–80 km) to Armenia. Following the memorandum Azerbaijan released on June 3, 2000 to protest this transfer of weapons from China to Armenia, the Chairman of the Chinese People’s Congress, Lee Pen, remarked during his visit to Azerbaijan on June 22 (as part of an official Chinese delegation’s tour of the region from June 11–26, 2000) that, “China supports Azerbaijan’s independence and territorial integrity and wishes to pursue an active partnership with Azerbaijan.”

Lee’s remarks were a clear indication that China did not wish to enact a policy of exclusion or disenfranchisement toward the Azeris. The Azeri administration believes that Azerbaijan is an irreplaceable trade partner for China because of its energy resources, geopolitical status, and growing markets. Therefore, Azeris expect that the assistance provided by the Chinese will cater to their priorities in the region.

Another key actor affecting Azerbaijan’s East Asia policy is Japan. Although Japan’s increasing involvement in Azerbaijan distresses China, Japanese engagement has produced a fruitful bilateral relationship that is particularly beneficial to Azerbaijan. Similar to China, Japan has invested heavily in the Azeri energy sector, which was relatively unexploited after the Soviet Union’s demise. Japan, though unable to match China in extent and breadth, nevertheless developed a very amicable and significant economic relationship with Azerbaijan. Japan’s interest in Azerbaijan is predominantly economic as it maintains a safe distance from the region’s political problems, and it seeks to preserve a balanced approach while simultaneously partaking in various international projects. Thus, Japan ranks among the largest aid donors to Azerbaijan, while it refrains from committing to any financial support to Armenia regarding the Karabakh issue, which is of paramount importance to Azeri national interests. Japanese aid to Azerbaijan since 1992 amounts to more than US$500 million; most of the aid money is channeled to refugees. Japanese support amounting to US$6 million has been used since 1993 by various international organizations to deliver relief supplies to refugees from Karabakh and its vicinity.

Furthermore, Japan’s unconditional and non-refundable financial support triggered economic development in Azerbaijan, precipitating further investment. For instance, the Azeri automotive industry developed due to Japanese grants worth approximately US$500 million; this is a particularly clear indicator of the obvious support that Japan provides to Azerbaijan. As its energy needs multiplied, Japan departed from its previous activities in the non-oil industries in Azerbaijan to investments in Caspian petroleum reserves. External resources supply more than 50 percent of Japan’s energy needs. The rich Caspian oil reserves immediately attracted Japan, which was seeking alternatives to the politically unstable energy-rich states in the Middle East. Consequently, Japanese oil-producing giants such as “Itochi Oil” intensified their operations in Azerbaijan from 1996 onward. Japan’s inclusion in the Baku–Tbilisi–Ceyhan (BTC) pipeline project and its financing of two major
power plants in Azerbaijan demonstrate the former’s commitment to Azeri energy resources.25

An observation of Japan’s interest in the region reveals a direct reference to the New Eurasian Strategy, drafted and announced by Japan’s then-Prime Minister Ryutaro Hashimoto. His strategy rested on the acknowledgement of a sudden and dramatic change in post-Cold War foreign affairs and suggested a subsequent transformation in Japan’s policies toward the Pacific and Eurasia. Japan’s new Eurasian strategy involved improving Japan’s relationships with countries on the Silk Road.26 Azerbaijan helped Japan realize its New Eurasian Strategy and connect the two ends of the historical trade route by developing bilateral relations with it.

Japan recognized Azeri independence on December 28, 1991, and diplomatic relations were established on September 7, 1992. After Heidar Aliyev’s 1998 visit to Japan, the two countries established official diplomatic missions through which subsequent relations were conducted.27 For Azerbaijan, having investment from Japan, one of the world’s most advanced economies, is extremely crucial. Therefore, Azerbaijan fully endorses Japan’s bid for a permanent seat on the UN Security Council (UNSC) and voices its support for Japan at every opportunity. Japan welcomed Azerbaijan’s endorsement of its candidacy and its proposals to redesign the structure of the UNSC. In fact, Japan’s only diplomatic mission in the region is based in Baku.28

Azerbaijan–South Korea relations

South Korea’s activities in Azerbaijan initially developed in the areas of financial activities and financial support for infrastructure building. South Korea did not have a substantial presence in Azerbaijan until March 23, 1992, when it recognized Azeri independence. Previously, South Korea conducted its relations with the Caucasus via its embassy in Uzbekistan, but the political turmoil in the Gulf urged South Korea to consider the Caspian as a potential investment destination, and it thus concentrated on strengthening its relationship with Azerbaijan in particular.

In 1997, lower-level organizations operating in the fields of trade and industry in Azerbaijan and South Korea signed a protocol on bilateral cooperation but were unable to achieve significant progress. Yet, in 2000, diplomatic negotiations accelerated and several effective agreements and protocols were signed during many official visits by delegations from the two countries.

South Korean diplomats in Moscow and bureaucrats responsible for trade and commerce initially approached Azerbaijan in 2000 to deliver a letter drafted by the then Ministry of Commerce, Industry, and Energy in South Korea to the Azeri administration. Subsequently, Ilham Aliyev, the current President of Azerbaijan, who was then the President of the State Oil Company of Azerbaijan (SOCAR), was invited to Korea.29 This invitation and the developments in its immediate aftermath engendered positive and amicable relations between both countries and contributed remarkably to the progression of the bilateral relationship.

The first Azerbaijan–South Korea Political Forum, held on October 26, 2004 in Baku, explored possible avenues of political cooperation. After this forum, on November 29–30, 2005, Elmar Mammadyerov, Azerbaijan’s Minister of Foreign Affairs, paid an official visit to South Korea that laid the foundations of a new era of political and economic ties.30 Impressed by the promising bilateral relationship following Mammadyerov’s November 2005 visit, the South Korean administration
organized an official delegation of state ministers to Azerbaijan on May 10–12, 2006; this move introduced a new dimension to the Azeri-South Korean relationship. During this visit, former President Roh Moo-hyun initiated South Korea’s first important outreach to Azerbaijan. Subsequently, Azerbaijan entered into lucrative ventures with South Korean companies operating in various fields, including petroleum, natural gas, mining, automotive, communications, education, and culture. An Azerbaijani ministerial visit to South Korea on April 23–25, 2007 underlined the importance that Azerbaijan placed on improved relations with South Korea.31

In 2008, the pace of improvement in bilateral relations increased dramatically. Several high-level official visits were carried out. Both sides worked on producing tangible projects, in the areas of the economy, security, transportation, communications, education, and related areas, out of the more general cooperation protocols and agreements. Most of these tangible projects were centered on bilateral trade. South Korea has been investing heavily in Azerbaijani energy, transportation, and ecology. The benefits of South Korean investment are most visible in the vocational schools that South Korea built to educate the Azeri workforce for their employment in Azeri-Korean projects, construction of factories, airfields, seaports, and oil refineries. Moreover, South Korea invests in the Azeri communications sector to link its communications infrastructure with international networks.32

The political relationship

Bilateral political relations were activated when Azerbaijan communicated to South Korean authorities its interest in cooperating politically with South Korea. The year 2005 marked the signing of a joint action plan by the two foreign ministries. Evidently, Azerbaijan had emerged as a priority for South Korean foreign policy.33 South Korea began to conduct its regional policies via Azerbaijan as the latter pursued potential platforms for political cooperation through high-level meetings and visits. During these visits, state ministers, prime ministers, and foreign affairs ministers discussed possible ways to expand bilateral cooperation in a number of areas—such as trade, communications, transportation, education, health, and communications. Former South Korean President Roh Moo-hyun’s visit to Azerbaijan featured especially important discussions between representatives of the two countries. Azeris were pleased with favorable comments by Roh Moo-hyun on Azerbaijan’s national interests, particularly when Roh Moo-hyun professed that South Korea supported the Azeri stance on the contested Karabakh issue, that of a peaceful resolution through preservation of territorial integrity.34 The Azeris interpreted the South Korean administration’s backing as a meaningful source of moral support.

The South Korean delegation that included former President Roh selected Azerbaijan as the first stop on their South Caucasus tour so as to announce the Korean administration’s intentions of embarking on a global project that centered on Azerbaijan. Roh Moo-hyun clearly stated that South Korea was considering cooperation with Azerbaijan in a number of areas, especially energy, and was seeking direct involvement in the BTC and Baku-Tbilisi-Erzurum (BTE) pipeline projects. Furthermore, Roh Moo-hyun indicated that South Korea would cooperate with Azerbaijan to resuscitate historical trade routes, such as the Silk Road, and to construct trade conduits for mutual benefit.35
Former President Roh’s 2006 visit also served as a confidence-building measure for Azerbaijan and South Korea. Azerbaijan started reaping the benefits of the “Contract of the Century” after a decade of oil exploitation by an international oil consortium. The Azeri administration tended to invest oil money to finance domestic economic development. During the Korean president’s visit, Azerbaijan and South Korea were able to sign nine separate documents on cooperation in industry, energy, communications, and petroleum, launching significant investment projects.

An analysis of the joint declaration signed by Azeri and South Korean ministers of state reveals the background of their countries’ political relationship. The declaration contains statements on South Korean support for Azerbaijan’s membership in the World Trade Organization (WTO) and South Korea’s potential involvement in Azeri economic initiatives (BTC and BTE pipeline projects and the Kars–Tbilisi–Baku railway project). Additionally, the fact that South Korea and Azerbaijan collaborate effectively in international relations demonstrates the recent ascent of their bilateral relations. Azerbaijan’s heightened interest in South Korea was materialized in the form of joint protocols and agreements, containing provisions that extended several privileges to Korea, signed during Ilham Aliyev’s 2007 visit. Aliyev commented during a press conference in South Korea, in which a South Korean minister of state participated, that Azerbaijan was thoroughly pleased with South Korea’s approach toward the Karabakh issue.

Upon the delegation’s return to Azerbaijan, Ilham Aliyev’s press officer, Azer Gasimov, held a press conference where he labeled the visit to South Korea as a very positive one and highlighted the fact that multiple agreements of political significance had been signed. According to Gasimov, these documents signify South Korea’s recognition of Azerbaijan’s independence and territorial integrity. Apparently, its political relationship with South Korea is very significant for Azerbaijan, given the fact that official statements underline the political importance of and affirm the overall success of the Aliyev visit.

Azeri-South Korean relations reached an even higher point on May 19, 2008, when South Korean Prime Minister Han Seung-soo traveled to Azerbaijan to conduct several high-level official meetings. The statements of Azeri President Ilham Aliyev on Han Seung-soo’s visit confirm the exceptional heights reached by bilateral relations. Aliyev said,

The relationship between Azerbaijan and South Korea is developing in many fields with considerable success and haste. This proves the existence of a successful partnership between the two countries. The agreements signed during the South Korean Prime Minister’s visit will accelerate the evolution of this partnership. Indeed, the agreements signed as part of the Prime Minister’s official visit indicate the expansion of the bilateral relationship.

One outcome of the expansion of the Azeri-South Korean political relationship was the introduction of security cooperation, enacted by Azeri and South Korean officials. Azeri officials informed their South Korean counterparts of certain security problems that Azerbaijan has encountered recently, and officials from both sides agreed on a close working relationship involving further information exchanges. Subsequently, South Korea’s Deputy Director of the National Intelligence Service, Lee Su-hyuk, traveled to Baku to discuss further cooperation in the security arena. Security cooperation entailed not only providing information to South Korea on
Azerbaijan’s political and security problems, but also attracting South Korean investment into Azerbaijan. Eldar Mahmudov, the Azeri National Security Minister, briefed Lee Su-hyuk on political processes in the Caucasus, potential threats in the region, and the specifics of the Karabakh problem. In addition, Mahmudov’s agenda was marked by a regional overview of international terrorism, drug and human trafficking, illegal migration, and other regional dilemmas, as well as a summary of Azerbaijan’s responses toward these problems. Lee’s visit represented a turning point for bilateral relations in the area of security.

The economic relationship
With the onset of the new millennium and the rise in oil and gas revenues, Azerbaijan launched a quest for an economic model that could accommodate its recent economic leap forward. One of the models adopted was the South Korean model of development; consequently, Azeris approached South Korea for assistance in certain areas of economic cooperation. Azerbaijan singled out South Korea as an economic model to emulate because of the emphasis the latter places on cultural values, the pace of development in its non-oil industries, and its successful catch-up development strategy, which followed an episode of economic hardship.

Both Azerbaijan and South Korea recorded crucial progress in their political relationship in the 2000s, and this progress paved the way for an economic relationship. Azeri-South Korean relations are predominantly trade-oriented. Two-thirds of all bilateral agreements and protocols are formulated to address and manage trade relations between them; thus, the main objective of bilateral relations is economic cooperation.

Despite the fact that Azeri-South Korean diplomatic relations were established on March 23, 1992, it was only after the South Korean officials were convinced of Azerbaijan’s investment potential that the economic relationship progressed. An important marker of the process by which South Korea decided to engage economically in Azerbaijan was the visit to Baku of South Korea’s ambassador to Uzbekistan, Kim Sung-hwan, on November 13–15, 2003. During his visit, Kim Sung-hwan analyzed Azerbaijan’s investment potential and perspectives and confirmed that his hosts will become the center of South Korea’s activities in the Caucasus.

Azerbaijan authorities assisted the development of economic ties and the entry of South Korean companies into the Azeri market by speeding up the process of legal and political harmonization between Azerbaijan and South Korea. Then, South Korean multinational corporations such as Hyundai, Samsung and LG entered the Azeri market.

South Korean companies were established in Azerbaijan in 2007 and geared their operations toward large-scale projects that would quickly expand their returns on investment. As part of these large-scale projects, the Korea Electric Power Corporation (KEPCO) signed an agreement with the government of Azerbaijan to construct the country’s first thermal power station. This construction project, estimated at between US$750 million–US$1 billion, constitutes the bulk of South Korean investment in Azerbaijan. With this project, South Koreans, like some of their fellow East Asian states, earned access to Caspian energy.
Other large-scale projects expected to generate handsome revenues have been handed over to South Korean companies; these projects include oil extraction, the construction of a bridge over the Baku Strait, and the construction of the new Baku port. These developments may be interpreted as rewards for South Korea’s political support for Azerbaijan’s national policies. President Ilham Aliyev, on his visit to Seoul on April 24, 2007, foresaw the signing of a Memorandum of Understanding (MoU) between the Azerbaijan Investment Company (GSC), and Korea’s STX Offshore & Shipbuilding Company (STX) during the Azerbaijan–South Korea Trade Forum. The projects launched by the MoU were the construction of wind generators in Azerbaijan. Particularly important was the deal struck between the Azeri administration and the South Korean engineering and construction company GS Engineering and Construction Company (GS E&S) appointing the latter to the construction of a new port in Baku. Former President Roh Moo-hyun reiterated the importance of evolving bilateral relations between Azerbaijan and South Korea and asserted that South Korea was interested in working in non-oil industries.

Aliyev’s participation in the economic forum significantly raised the volume of trade between the two countries from US$115 million to more than US$1 billion. In this forum, Azeri officials extended an open invitation to South Korean investors, assuring them that the Azeri state would guarantee their investments in Azerbaijan. Reciprocal visits by heads of state from both countries engendered vast interest in Azerbaijan by South Korean business persons in 2008. South Korea’s ambassador to Azerbaijan, Lew Kwang-Chul, who said that over 50 business delegations visited Azerbaijan following the South Korean ministerial visits, repeatedly pointed out the expansion of Korean investment in Azerbaijan. The ambassador noted that bilateral relations were not confined to economics but included cooperation in science, education, and culture as well.

South Korea’s deputy minister of industry and energy led one business delegation to Azerbaijan; it was welcomed in a reception organized by an Azeri state minister who emphasized, during the reception, that Azerbaijan and South Korea benefited from the expansion of bilateral relations in politics, trade, energy, etc. and that delegations from South Korea to Azerbaijan and vice versa contributed markedly to the acceleration of these relationships.

| Table 1. Azerbaijan’s exports to South Korea between 2002–2006 (in million US$). |
|-----------------|--------|--------|--------|--------|--------|
|                 | 2002   | 2003   | 2004   | 2005   | 2006   |
| South Korea     | 7286.1 | 15960.7| 24125.4| 41632.3| 46932.6|


| Table 2. Azerbaijan’s imports from South Korea during 2002–2006 (in million US$). |
|-----------------|--------|--------|--------|--------|
|                 | 2002   | 2003   | 2004   | 2005   |
| South Korea     | 0.5    | 965.5  | 3785.6 | 488.5  |
|                 |        |        |        | 68353.6|

President Ilham Aliyev, in response to a question by a South Korean journalist about how he would evaluate the degree of economic cooperation between the Korean companies and government and Azerbaijan, said,

I believe that both countries have a lot to learn from one another. Your country [South Korea] recorded fast economic upheaval from a state of no natural resource wealth and extreme economic hardship. This is a remarkable achievement. You proved that a country could successfully lift itself from poverty and develop. You have global companies that are willing to invest in Azerbaijan. I am not referring to investment alone. I am referring to large-scale projects that are agreed on here.  

As a result of Azeri-South Korean economic cooperation, Azerbaijan acquired experienced partners with whom it could work to develop its emerging sectors and South Korea secured access to energy resources to fuel its developing economy and to emerging markets for its technology sector.

The growth of the Azeri-South Korean economic relationship spawned bilateral cooperation in development and aid. Experts from the Korean International Cooperation Agency (KOICA) trained Azeri personnel who would work in projects instigated by Korean investment. At the same time, experts from Azerbaijan went to South Korea to receive further training in their respective fields of expertise.  

Moreover, South Korea worked to enhance the transfer of technical knowledge and field expertise to Azeris and appointed many Korean experts to the task of training field technicians in Azerbaijan to be employed on Korean projects there.

Moreover, a project was devised and launched in Azerbaijan to train laborers in the fields of industry, communications, transportation, and construction. Azerbaijan’s Ministry of Education and the South Korean multinational Daewoo joined to found a vocational school to train technicians. A committee of experts from South Korea conducted a feasibility analysis of the project to expedite its implementation. Officials from the Ministry of Education stated that Azerbaijan wished to benefit from South Korea’s expertise in vocational training and, given South Koreans’ interest in providing assistance to the Ministry in this area, that vocational schools would be founded in Baku. South Korea’s ambassador to Azerbaijan, Lew Kwang-Chul, noted that Azeri-South Korean cooperation in education would lead to an improvement in relations in other fields.

The evolution of Azeri and South Korean diplomatic and economic relationships bred cooperation in cultural, scientific, and humanistic areas as well. Azerbaijan hosted Korean civilization and film festivals. In return, South Korea addressed one of Azerbaijan’s direst dilemmas, its refugee problem, by recommending several measures for relief and implementing educational and medical projects in Azeri refugee camps.

Conclusion

The end of the Cold War and the dissolution of the USSR heralded the beginning of troubling times for Azerbaijan. Armenia’s invasion of one-fifth of Azeri territory as well as the Karabakh region were traumatic for the Azeris and created their preoccupation with territorial integrity. Within the first few years of independence, Azerbaijan struggled to produce a coherent foreign policy. With Heidar Aliyev’s ascent to power, Azerbaijan adopted a policy of impartiality and dialogue with
countries that were willing to develop political and economic relations. As a result, Azerbaijan was able to partially shield itself from the pressures of engagement from Russian, Iranian, and American–NATO axes of influence in the post-Cold War Caucasus.

The Caspian emerged as a significant zone in the global geopolitics of the 2000s, following political instability in the Gulf and the steady rise in oil prices, as several countries were attracted to the oil and natural gas resources in the Caspian. Furthermore, the petroleum and gas deals signed in the 1990s financed the Caspian states’ development in areas outside of the energy sector and unearthed new areas for foreign direct investment. Azerbaijan attracted investors for its vast natural resource wealth and its rising oil and gas revenues.

Azerbaijan established support for its political priorities and for its stance on the Karabakh issue as prerequisites and confidence-building measures for potential investors. East Asian states easily fulfilled these two criteria due to their geographical and ideological distance from the political dynamics of the Caucasus. China and Japan were Azerbaijan’s first two allies in East Asia; South Korea followed a few years later. While South Korea was a latecomer, mutual political trust and fruitful economic relations were quickly established.

Azerbaijan selected South Korea’s successful economic model as applicable to its own economic growth, hastened by rising oil and gas revenues, and an economic relationship between Azerbaijan and South Korea successfully ensued. Azerbaijan emulated various models from its economic ally, including the South Korean university system and its diversification and development in non-energy sectors. The Azeri administration has trusted South Korean public and private investors with many significant current and future projects, especially in the oil-related field. Also, Azerbaijan and South Korea exchanged visits of numerous official delegations and developed several mutual projects in non-oil-related fields such as education, culture, security, transportation, communications, and construction. These projects are indicators of the central role that South Korea will play in Azerbaijan’s future.

Notes
2. O. Nuri Aras et al., The Karabakh War: A Political, Legal and Economic Analysis (in Turkish) (Baku: Caucasian Studies, 2008).
15. “Azerbaijan's Participation to CIS was a Real Necessity” (in Azeri), *Azerbaijan in World Politics*, 13.
34. Azerbaycan, April 12, 2006.
41. AZERTAC, April 4, 2007.
43. Ibid.
47. “Presidents of Azerbaijan.”

Notes on contributors

Bulent Aras is Professor of International Relations at Isik University, Istanbul, and Visiting Senior Fellow at St. Anthony’s College at Oxford University. He is also affiliated to SETA, an Ankara based think-thank. He has written extensively on the foreign policy issues of the Middle East and the Caucasus region.

Reha Yilmaz is a visiting scholar at Troy University, United States. He obtained his Ph.D. in political science at Qafqaz University in Azerbaijan. He is on the advisory board of the International Human Rights Council of the Azerbaijani Human Rights Institute. He has written extensively on foreign policies of the Caucasus states.