Policy Forum 08-016: Presidential Elections and the Future of Russian-Korean Relations

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By Leonid Petrov

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I. Introduction

Leonid Petrov, Research Associate in the Division of Pacific and Asian History at Australian National University, writes, "If Moscow, Pyongyang and Seoul reach a mutual understanding, coordinate their

policies, and preclude their rivals from destroying this unity, many hopes of the Russian and Korean peoples have a good chance of materializing in the coming four to five years."

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II. Article by Leonid Petrov

- "Presidential Elections and the Future of Russian-Korean Relations"
By Leonid Petrov

At the end of this month the inauguration of the recently elected President of the Republic of Korea will take place in Seoul. Russia is poised for its own presidential elections in early March. In North Korea (formally known as the Democratic People's Republic of Korea, or DPRK), it has been reported, the grooming of a new leader is already under way. Nevertheless, the dynamics of relations between Russia and the two Koreas will depend not so much on personalities but on the joint efforts of the sides.

Relations between Russia and Korea in the 20th century were saturated with hopes, victories and disappointments. The Russo-Japanese War (1904-1905) flared up precisely because of control over Korea and ended - for Russia - with the loss of South Sakhalin and ultimately the headache of the (First) Russian Revolution. The revenge of August 1945 and the joint Soviet-American occupation of Korea incurred many political problems. The creation of two separate states on the Korean peninsula in 1948 led to the civil and international conflict known as the Korean War (1950-1953), which to this day has not been fully resolved. The Cold War delayed the establishment of diplomatic relations between Russia and South Korea for four decades, while North Korea even now does not enjoy the diplomatic recognition of the United States and their strategic allies in the Asia-Pacific region.

The understanding of the simple fact that direct contact with both Pyongyang and Seoul give Moscow special power in resolving serious regional issues did not arrive immediately. Only from the late 1990s did Russia first attempt to make a Korean policy that regarded North and South equally. Coincidence or not, the major improvement in relations between North and South Korea also happened at that time. In June 2000, the DPRK leader Kim Jong Il for the first time received in Pyongyang the President of the Republic of Korea, Kim Dae Jung, and a month later the President of Russia, Vladimir Putin. The foundation of the new 'trilateral relationship' was laid precisely then. Soon after that, Kim Jong Il twice visited Russia by train, and the President of South Korea crossed the Demilitarized Zone (DMZ), separating the two Koreas, by automobile last year.

No sooner had Russia-Korea relations entered a new era than another nuclear crisis burst out on the Korean peninsula. In October 2002 the United States accused the DPRK of secretly enriching uranium. To this allegation more charges were added, such as testing and selling missiles, trading in narcotics and counterfeiting US currency. In the course of this diplomatic row, the economic interests of North and South Korea were to impacted. An attempt to resolve the escalating discord was undertaken in the form of 'Six-Party Talks' which opened in Beijing in 2003. At this forum, where former Cold War allies and rivals (the two Koreas, China, the USA and Japan) got together, Russia again found itself caught in the crossfire.

It has been already five years since the emergence of the latest Korean nuclear problem (the first was in 1993-1994, until ex-US President Jimmy Carter brokered a deal), and it remains the stumbling block for the development of the entire region. Despite the temporary diplomatic breakthroughs (in September 2005 and February 2007) the Six-Party Talks process has not reached

its goal. For the international community to disarm the DPRK remains a 'mission impossible.' Meanwhile, many joint projects and plans endorsed by Moscow, Pyongyang and Seoul remain unaccomplished. It is not difficult to calculate who profits from this and who suffers the loss. The trilateral relationship between Russia, the North and the South include mutually beneficial economic and military collaboration. By freezing this triangle, China and Japan can sit back and relax, while the US will enjoy additional freedom to maneuver in the region.

Where does the commonality of interests lay for Russia and the two Koreas? What projects can be realized in the near future? How can they avoid possible conflicts among themselves and with their competitors in the future? Commonality in understanding the roots of the conflict and principal agreement on the ways leading to its resolution are needed to guaranteeing peace and prosperity in Northeast Asia. To achieve this, the new leaders in Moscow, Seoul and Pyongyang must carefully study the geopolitical map of the region and demonstrate patience and endurance in resolving debatable questions.

Colonialism, the Second World War and the Cold War are gone but their legacy is the bouquet of unresolved problems. Territorial claims, in one form or another, involve almost all countries adjacent in this region with the exception of Russia and Korea. The Joint Russian Federation-DPRK Commission for the Demarcation of State Borders has recently completed its work by documenting and marking the 17 km-long frontier. This strip of uninhabited and swampy land in the mouth of the Tumannaya (Tuman-gang) River plays an exceptionally important geopolitical role. It not only provides the two countries with land access to each other, but also prevents Chinese access to the East Sea (Sea of Japan).

Here, some 50 km north of the small port that forms the core of DPRK's Rajin-Seonbong Special Economic Zone, the interests of Russia and China are now at stake. Russia is rapidly repairing the railroad track, and China (in a similarly speedy manner) is constructing a new automobile highway, both leading from their respective borders to the port of Rajin. Russia, investing at least 1.75 billion rubles ($72 million USD) into this project, seeks to strongly connect Rajin (and the rest of northern Korea) to its Trans-Siberian Railroad. China, in turn, hopes to divert the growing cargo traffic to its own territory, offering the efficient network of railroads for delivery of South Korean and Japanese goods to Central Asian and European markets. What position will the government of North Korea take in this clash of ambitions?

The geopolitics of railroads does not end with this. In May 2007, the first test run across the DMZ was completed by two passenger trains. Six months later, a South Korean cargo train repeated the experiment before traversing this route regularly. In other words, economic considerations started prevailing over military fears. As for Russia's interests, they are currently focused on the development of the eastern branch of the Trans-Korean Railway, which sooner or later will reconnect provincial Rajin with the highly sophisticated port and railway terminal of Pusan in the southeastern tip of peninsula. From there even Japan looks close. The creation of a 128 km-long underground railroad tunnel, which could connect the "Land of the Morning Calm" with the "Land of the Rising Sun", is recognized as technically possible but could cost a hefty USD77 billion. Thus, the transformation of the East Sea into a lake of peace and economic collaboration coincides with the interests of all coastal nations.

A similar truth applies to the trade in petroleum, natural gas, and electricity. In 2007, the volume of the export of "black gold" from Russia to South Korea reached 38.13 million barrels (2.7 times more than in the previous year). The relative proximity of the Russian oil and gas fields is an attractive factor for Korean companies who actively search for alternatives to Middle East oil suppliers. This year South Korea will for the first time start importing natural gas from Russia. The expected volume of delivery during 2008 is 1.5 million tons (or 5.1% of South Korea's annual demand). Should

there be a special inter-Korean agreement, the delivery of oil and natural gas to the Republic of Korea could be arranged through the DPRK. However, understanding that it will take years before such an agreement is negotiated and signed, the Russian monopoly GAZPROM is now designing an underwater gas pipe going directly to South Korea.

The prospects for the export of Russian electrical power to the countries of Northeast Asia, as well, depend on political will and stability in the region. At present the Far-Eastern division of the Russian government-controlled Unified Energy System is considering several different projects, which are aimed at helping North and South Korea to satisfy their energy needs. According to one plan, Russia will direct electricity to the South via North Korea. The high-voltage electrical power lines will be fixed very high above the ground to make any illegal tapping into or interruption of electricity by the North unlikely. Neither will South Korea be able to exert any pressure upon the DPRK. Power allocated for the North will go along a separate line because the electrical grids in the two Koreas are technologically different. Another plan suggests that Russia will be able to provide 800 MW of electric power to North Korea in substitution of the energy promised by South Korea to that country. Certainly, a trilateral agreement would be needed to realize this. In the meantime, the Unified Energy System is exploring the more stable markets of northeastern China and Japan.

Trade relations between Russia and Korea are steadily growing. According to customs statistics, last year Russia recorded the sharpest increase of South Korean imports (56.2% more than in 2006). Due to the inflow of "petro-dollars" the new class of nouveaux riches in Russia began actively buying Korean automobiles, cell phones, television sets and LCD monitors. South Korea exported to Russia goods worth USD8.1 billion (including $3.296 billion of automobiles, $859 million of mobile phone equipment, motor vehicles and spare parts worth $659 million dollars). As for trade with North Korea, in 2006 Russia occupied third place after China and South Korea and absorbed 9% of the total $3.18 billion dollars spent by the North on imports.

Russia and Korea are becoming more connected by major investment projects. Last year the Russian auto plant KamAZ opened its first assembly line in North Korea, specializing in the production of medium-size trucks named "Taebaeksan-96". This year it is expected that South Korean Hyundai Motor Co. will finally announce the beginning of construction of a new motor vehicle plant in Russia. Presently, Hyundai is assembling 56,000 automobiles per year at the Taganrog Motor Vehicle Plant. However, the growing popularity of Korean cars in Russia is likely to motivate the company to invest an additional USD400 million into the construction of a new plant producing up to 100 thousand automobiles per year. Alternatively, the feasibility of building a factory producing spare parts in Saint Petersburg or Nizhniy-Novgorod regions is also being discussed.

Conventional armaments have always been a special item in Russian-Korean commercial relations. Following the United States, Russia is the second largest supplier of weapons for "third world countries" (28% of all sales). In 2007, Russia earned USD8.1 billion from this trade. In the same year, after spending USD600 million for this purpose, South Korea occupied 9th place among the most important buyers of weapons in the world. In the period 1999 through 2006 the total cost of weapons acquisitions made by South Korea was between USD6.7 and 7.8 billion. To avoid the possible conflict of interests in its deals with North Korea, Russia has always limited the supplies to short range tactical weapons, which can be used predominantly for defensive purposes.

Among the most difficult but negotiable issues of "trilateral policy" remains the problem of external debt. During the Soviet era the DPRK incurred the debt of approximately USD8 billion dollars, which Pyongyang still owes to Moscow but cannot repay. This debt remains a stumbling block in most negotiations on the new aid and development programs. The other side of the story is that in January 1991, soon after the opening of diplomatic relations with Republic of Korea, Moscow received USD3 billion from Seoul in the form of a three-year loan. The collapse of the Soviet Union left this loan

largely unpaid. The new Russian government in the 1990s provided South Korea with armaments worth USD150 million dollars to be counted as payment-in-kind for the remaining debt. In 2003, after bilateral negotiations on this issue were completed, part of this Russian debt was cancelled and the remainder was rescheduled to be paid over in the next 23 years. Thus, taking into account its own debts to the South, Russia could easily write off at least USD1.3 billion of its debts owed by the North. Again, for true resolution of this question a certain agreement between all three parties is needed.

Russian-Korean trilateral relations are based on a solid footing and replete with opportunities that can benefit each of them. But will the year 2008 see a turning point in their collaboration? The new administrations in the Kremlin and Seoul's "Blue House", together with the new generation of leaders in Pyongyang, can radically change the political climate in the region. It does not really matter who is elected to president or assigned to be heir and successor. A simple strengthening of economic and military relationships between the three countries will contribute to the peaceful solution of the "Korean nuclear problem" and prepare the basis for durable peace and prosperity in Northeast Asia. If Moscow, Pyongyang and Seoul reach a mutual understanding, coordinate their policies, and preclude their rivals from destroying this unity, many hopes of the Russian and Korean peoples have a good chance of materializing in the coming four to five years.

III. Nautilus invites your responses

The Northeast Asia Peace and Security Network invites your responses to this essay. Please send responses to: napsnet-reply@nautilus.org . Responses will be considered for redistribution to the network only if they include the author's name, affiliation, and explicit consent.

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