

Russia's Cooperation with North Korea in the Context of "Turn to the East" Strategy for Multilateral Development in Northeast Asia



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- ❑ Russia's strategic goals in Northeast Asia are maintaining security and promoting economic cooperation.
- ❑ In this context, the issue of stability on the Korean Peninsula along with the denuclearization of the Korean Peninsula is of the utmost importance.
- ❑ The full-scale economic cooperation in the regional format can only follow the solution to political and security issues in this "hot spot".
- ❑ Currently bilateral ties with the regional actors are the basis for Russian presence
- ❑ In this context, Russia-North Korean political and economic relations are the important leverage for attaining these goals.



- ❑ Russia-North Korean relations have never fully recovered after the downturn in 1990s when the Soviet Union stopped providing assistance to North Korea.
- ❑ The negative factors for cooperation are virtual absence of mutual compatibility of the economies and lack of mechanism of implementation of even existing economic opportunities against the background of ever-increasing sanctions.
- ❑ However North Koreans are interested in currency earning from Russian market and getting important goods either unavailable or expensive to get in other places



- ▣ After the restoration of relations between Moscow and DPRK in 2000-2001 thanks to summit visits many outstanding issues were solved or eased (like debt problem)
- ▣ NK wanted investment and industrial assistance, while Russia accented trilateral projects with ROK participation to provide profitability (such as railroad transit, pipelines and grid connection)
- ▣ However, in the context of the breakdown of the six-party talks and growing hostility between Pyongyang and ROK the conservative administration , all these projects were shelved.
- ▣ Pursuant to the meeting of Kim Jong Il and Russian president in 2011 and especially after the advent of Kim Jong Un in the context of Russia's "turn to the East" policy discussion on various bilateral projects was started again

- ❑ In 2012-2015 a new model was formed: exchange of North Korean products like minerals, non-ferrous and ferrous metals, rare earth, coal for Russian assistance in modernizing the infrastructure
- ❑ The so-called "Victory project" (exports of coal in exchange for constructions of railways and logistics) was a manifestation of such an approach.
- ❑ Continued interest in Russian goods and lack of export potential led to the situation when most of Russian goods are imported by North Koreans via companies in the third countries, especially China
- ❑ At the peak level the turnover of bilateral trade amounted to little bit less than one billion dollars (making Russia the second most important trading partner of North Korea).



- ▣ However with Russia joining the sanctions on North Korea all the possibilities for trade and investment disappeared.
- ▣ The trade is stagnating due to strict observance of sanctions in bilateral format and reduction of deals via third parties
- ▣ No legal financial ties are possible
- ▣ Even Khasan-Rajin railroad transit project, excluded from sanction regime, stagnates because of the fear of partners of “secondary sanctions”
- ▣ A number of members of world community considers slow lifting of sanctions especially for trade in non-military commodities and humanitarian assistance but so far it has been unsuccessful.
- ▣ That makes the prospects bleak

- ▣ The Vladivostok Summit in April 2019 and the preparation for that, notably the intergovernmental commission cooperation in March show before them showed North Korea's interest in trade on barter basis.
- ▣ NK wants construction of a bridge for smoother economic and people exchanges between the two countries.
- ▣ NK fully agrees the improvement situation on the railroad transit project and leaves for Russia to look for sources of investment for that.



- ▣ In general terms, the issue of sanctions imposed on North Korea and bleak possibilities for Russia-North Korea economic cooperation block Russian advances in the neighborhood.
- ▣ Russia is interested in creating multilateral security and cooperation regime in Northeast Asia
- ▣ Such system can include both North and South Korea, neighboring areas of China, and even Japan as an investor.

For example, the Greater Tumanan initiative might become a hub for such a project.
Russia is interested in promoting this project.



Russia still wants to promote, as pilot ones, trilateral projects in railroad transit, gas and electricity supply. However the inability of South Korea to join such projects due to US objections make the prospects uncertain.



- ▣ In case of political settlement and relevant economic modernization package, North Korea may become very attractive to foreign investors.
- ▣ North Korea may be included into the “value chains” in the Asian region based on its comparative advantages in mineral resources, logistical possibilities, qualified workforce and scientific potential especially in ICT.
- ▣ Maybe something like “Marshall plan” could be created to modernize North Korea with participation of all the major countries.
- ▣ A fund (escrow account) might be created by sponsor countries and financial institutions for investing in such projects that increase NK involvement into regional division of labor

- ▣ Russia would be interested in participating in such a great project, though obviously the Russian business may face competition from US, South Korean and Chinese businesses for modernizing North Korea despite the fact that most of North Korean potential was created by the former USSR.
- ▣ In addition, the ability to implement projects under the auspices of international organizations (such as World Bank, AIDB etc.) can provide Russia with new opportunities for regional cooperation.
- ▣ Thus North Korean factor might be crucial for Russia to radically change its profile in Northeast Asia