



Russia and South Korea: Unsuccessful Attempt at Cooperation

Jakub Benedyczak

In the last 10 years, Russia and South Korea developed several cooperation strategies, most of which have not been implemented. Among them, the most important were ambitious energy and transport projects. However, the need to involve North Korea, and U.S. sanctions against Russia, presented obstacles to their implementation. Thus, cooperation between Russia and South Korea is currently limited, and will not weaken the close South Korean-NATO relations.

The Intersection of East and North. In 2018, South Korea's President Moon Jae-in said in the State Duma of the Russian Federation that his own country's New Northern Policy and Moscow's "turn to the East" are intersecting. The statement refers to the cooperation strategies developed by both countries. South Korea proposed a "nine bridges" strategy, which assumes cooperation with Russia, including in the energy and rail sectors. Russia plans, addressed towards South Korea and others, include transport and energy strategies as well as the programme Socioeconomic Development of the Russian Far East and the Baikal Region, as part of which it established special economic zones referred to as the Territories of Advanced Social and Economic Development (TADs), in which tax breaks for resident companies were established. In addition, Russia established the Free Port of Vladivostok, comprising 15 districts of the Primorsky Krai and its key ports, promising five-year tax holidays, accelerated VAT refunds and free use of engineering infrastructure. Although the strategies had the potential to demonstrate the complementarity of Russian and South Korean approaches, most projects were not implemented.

Although Moon and Russia's President Vladimir Putin issued a joint statement on free trade talks in 2018, no negotiation group was ever set up. The joint investment fund project failed to progress beyond the preliminary agreement. In addition, the political dialogue between Russia and South Korea has not reached the heads of state level, as it has in [Russian relations with Japan](#). Currently, only intergovernmental commission meetings are held, with the dialogue run by presidential envoys and the Russian minister for the development of the Far East. These envoy-level meetings have led to talks on a free trade zone between South Korea and the Eurasian Economic Union, the bilateral abolition of visas in 2014, and the conclusion of a dozen agreements on economic cooperation, including energy companies Gazprom and Kogas.

Russia also supports South Korea in the creation of space infrastructure and astronaut training and assisted in its first flight to the International Space Station.

Prospects for Economic Cooperation. Although trade between Russia and South Korea -reached a value of \$19.2 billion in 2017 (an increase of 27.3% compared to the previous year), it still fell far short of the 2014 figure of \$27.3 billion. South Korean investments account for 5% of foreign investments in Russia (\$1.2 billion in 2017). The largest of these are the Nakhodka Fertiliser Plant, the Hyundai car factory in St. Petersburg, and the Samsung electronics factory in Kaluga region.

South Korea expects that 20% of its gas and oil demand will be fulfilled by Russian hydrocarbons. In the South Korean market, Russia is the eighth largest gas supplier (delivering from the Sakhalin-2 terminal) and the seventh largest oil supplier. However, in 2018, Novatek and Kogas signed a preliminary agreement on participation in the Yamal LNG, Arctic-2 LNG and gas hub in Kamchatka. In addition, Daewoo is modernising the shipyard infrastructure near Vladivostok and constructing tanker icebreakers for Novatek. The first of the 15 contracted units crossed the North Sea Road (PDM) in 2017 in a record time of 6.5 days and set another record of 19 days for the passage from Norway to South Korea without icebreaker support. The sanctions mean that South Korean businesses have limited scope for cooperation with Russia, yet they do intend to participate in Russian creation of PDM infrastructure. This will shorten the delivery time to European ports, compared to the Indian Ocean route, from 40 days to 30.

Both countries are also negotiating projects that cannot be implemented in the immediate future because they require the participation of North Korea. The most important is the rail transport route to Europe, running from the port hub of Busan through North Korean Rajin, which has a 54-kilometre connection to the Trans-Siberian railway station Chasan. The route would reduce the cost of transporting South Korean goods to Europe by 15%, and allow them to reach the Chinese province of Jilin. Russia would gain \$100 million annually in transit fees, and modernise the Primorje-1 and Primorje-2 transport corridors. Further projects in the planning phase include the construction of a gas pipeline between Russia and North Korea, the extension of the electricity network from Vladivostok to North Korea and South Korea, and the extension of the Eastern Siberia-Pacific pipeline to South Korea.

The Role of North Korea. Trilateral projects require costly investments in North Korea's infrastructure. Although Russia has financed the renovation of the Rajin-Chasan border railway route (\$300 million), it is necessary to modernise North Korea's tracks in their entirety (\$25–40 billion). The cost of building a power grid and nuclear power plants in connection with the chronic lack of electricity in North Korea is calculated at \$160–180 billion. Although Russia and South Korea wish to develop trilateral cooperation, they will not invest in North Korea because of the high costs, UN sanctions, and the totalitarian regime in Pyongyang.

[Russian policy towards the Korean Peninsula](#) also makes cooperation more difficult. The priority for Russia is the return to multilateral negotiations on the peninsula, maintaining its division and suppressing armed conflict there. The Russian authorities consider potential U.S. intervention as the greatest threat since the aim would be to overthrow the North Korean authorities, which could result in the risk of nuclear conflict. A conventional conflict would threaten an influx of refugees and violence on the Russian border, and a victory for either side would result in a unified peninsula entirely under U.S. or Chinese influence. Therefore, Russia is interested in maintaining the status quo and supporting the North Korean regime. Although Moscow deployed its S-400 anti-aircraft and anti-missile system along its 17km-long border with North Korea as a result of rising tensions on the peninsula, the Russian authorities accept the North Korean nuclear programme as a guarantee that Pyongyang will defend its territory against U.S. attack. Russia also breaks UN sanctions imposed on North Korea, by supplying power and oil, and by allowing its port in Nakhodka to be used for exporting coal. It also allows the employment of about 32,000 workers from North Korea, which it should expel by the end of this year, and permits companies operating as subsidiaries of the North Korean authorities (for example restaurants and travel agencies) to conduct business and acquire foreign currency on behalf of their government. These actions are contrary to the policy of South Korea and its NATO Allies towards the peninsula.

Conclusions and Prospects. Although Seoul has not joined the West in imposing sanctions on Russia, it is likely that the South Korean authorities and companies will abide by the provisions of the sanctions regime out of fear of U.S. restrictions on access to the American market. At the same time, the loosening or lifting of sanctions would lead to South Korea becoming deeply involved within Russian LNG projects and the development of PDM infrastructure, both of which would bring significant economic benefits. In addition, corporations such as Hyundai, Samsung and Daewoo will implement single investments in the Russian Far East.

Neither Russia nor South Korea will risk investment or project implementation in North Korea in the near future. This process requires the abolition of UN sanctions against North Korea, long-term negotiations and the opening of the regime in Pyongyang to cooperation.

The dialogue between Russia and South Korea is not an alternative to the alliance between the U.S. and South Korea. South Korea is a major U.S. ally outside NATO, as confirmed by the permanent U.S. military presence including 28,000 troops, deployment of the THAAD system, and joint military exercises. In addition, 75% of South Korea's arms orders for 2016 were supplied by the United States.

Neither is South Korean cooperation with Russia a threat to its close relations with NATO. South Korea's close cooperation with the Alliance include participation in the Individual Partnership and Cooperation Programme, in the NATO Afghan mission (as a member of the International Security Assistance Force) and in the programme for the non-proliferation of weapons of mass destruction on the Korean Peninsula, in which Russia shows no interest in this format.