

Peace and Prosperity on the Korean Peninsula and South Korea-North Korea-Russia Trilateral Cooperation

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I. Introduction

This study contains the results of joint research conducted by Korean and Russian experts, focusing on the following objectives. First, we wish to illustrate the need for trilateral economic cooperation within the changing political situation on the Korean Peninsula and the Northeast Asian region, through which it will become possible to pursue mutual prosperity within the region and establish a foundation for permanent peace. Our second goal is to perform an in-depth study of the perceptions and situations on each side in regard to South Korea–North Korea–Russia cooperation, through which we can identify the basic directions, tasks and strategies to promote cooperation between the three parties. This approach is particularly timely and significant on an academic level when it comes to identifying strategic connections between Korea’s New Northern Policy and Russia’s New Eastern Policy, and to realize qualitative development in South Korea–Russia relations. Finally, we wish to offer important policy implications for the Korean government as it implements its New Northern Policy and the New Economic Map for the Korean Peninsula, and help produce measures to expand economic cooperation between Korea and Russia in the Russian Far East.

II. Political Changes on the Korean Peninsula and the Significance of Trilateral Cooperation between the two Koreas and Russia

North Korea’s nuclear development plans and missile tests led to a state of acute tension in 2017, escalating the risk of war. The tense situation took a sharp turn following the 2018 Pyeongchang Winter Olympic Games, followed by two inter-Korean summit meetings and the first in history meeting between the leaders of North Korea and the United States. These developments have improved relations between the two Koreas and are leading to substantial talks toward the denuclearization of North Korea.

When considering the delicate situation currently unfolding between the three nations following the summit meetings, it is clear that the Moon Jae-in government in South Korea must play a crucial role. However, inter-Korean relations are mired in complications caused by North Korea’s nuclear program and U.S. sanctions against North Korea, making it difficult to

realize any substantial progress in economic cooperation projects with the North. As of yet, the New Economic Map of the Korean Peninsula and the New Northern Policy, initiatives announced by the Moon administration, remain at the initial stage of planning. But as President Moon stressed in the August 15 Liberation Day speech, peace is vital to economic development on the Korean Peninsula, and the New Economic Map of the Korean Peninsula and New Northern Policy must be recognized as foundation-building efforts to resolve North Korea's nuclear issue once and for all.

In his Liberation Day speech President Moon emphasized that “establishing peace and forming an economic community on the Korean Peninsula is the actual realization of our liberation,” and that “developing relations between the two Koreas is the true driving force behind denuclearization of the Peninsula.” These sentiments carry the message that inter-Korean economic cooperation is an inevitable and essential means to reconstruct the virtuous cycle between the three parties through the third inter-Korean summit in September 2018, followed by nuclear talks between the U.S. and North Korea, and another North Korea–U.S. summit meeting scheduled to take place. During his speech President Moon also proposed an East Asian railway community, demonstrating how the New Economic Map of the Korean Peninsula will lead to economic cooperation with economies toward the north of Korea, strengthening connectivity with the Eurasian continent.

As such, the New Economic Map for the peace and prosperity of the Korean Peninsula must be accompanied by a recognition for the geopolitical and geoeconomic value of the Russian Far East region. When North Korea begins its process of reform and opening up and economic cooperation projects between the two Koreas

resume, the Russian Far East will rise as a key point for economic cooperation between Korea and its neighbors to the north. This would also open up more opportunities for bilateral and multilateral cooperation in hand with Russia's development strategies in the Far East region, between the two Koreas and Russia. The Russian Far East region is strategically significant in that it connects with the Korean Peninsula, thus serving as a starting point for economic cooperation between Russia and the two Koreas and offering a bridgehead for the Korean economy to extend its growth. The Russian Far East region is also essential for the eastern axis of the New Economic Map for the Korean Peninsula, which involves forming inter-local cooperation in the East Sea region and developing the Northern Sea Route.

There is no doubt that trilateral economic cooperation projects between the two Koreas and Russia will benefit South and North Korea and contribute to South Korea–Russia relations, while driving the denuclearization of the Korean Peninsula in an irreversible direction. Such cooperation projects would also make it possible to realize peace and mutual prosperity on the Korean Peninsula while strengthening connectivity with Eurasian nations. Ultimately, trilateral cooperation projects will add substantial momentum to Korea realizing its future vision of a “bridge country” that connects the ocean and continent, and to Russia gaining a strategic foothold to develop its Far East region and advance into the Asia-Pacific area.

Russia is not a major presence in the ongoing talks between South and North Korea, the U.S. and China for the denuclearization of North Korea. However, when we recognize the limitations of producing a solution to the North Korean nuclear issue only within the framework of diplomatic security talks, it becomes clear that the Russian Far East represents great strategic

value, and that trilateral cooperation projects between Russia and the two Koreas deserve much more recognition for their significance. On April 29, 2018, Russian President Putin stated the need for the progress realized through the inter-Korean summits to be continued through trilateral cooperation projects with Russia. President Putin also stressed how connecting Russia's railways, gas pipes and power supply into Siberia through the Korean Peninsula would contribute to the stability and prosperity of the Peninsula. During his visit to Moscow in June 2018, President Moon reached a consensus with President Putin on how trilateral economic cooperation would create a virtuous cycle of furthering peace on the Korean Peninsula and promoting economic cooperation, and how this must be further developed into a multilateral security regime in Northeast Asia. If cooperation between the two Koreas and Russia could vitalize multilateral cooperation schemes with the U.S., China and Japan, this would add crucial momentum to the mutual prosperity and permanent peace of Northeast Asia.

III. Policy Recommendations to Promote Trilateral Cooperation between the Two Koreas and Russia : From the Korean and Russian Perspectives

This study brings together the views of Russian and Korean researchers to explore new approaches to trilateral cooperation between the two Koreas and Russia. The collective opinions of the researchers and their policy suggestions for trilateral cooperation can be summed up as follows.

Seok Hwan Kim and Joungho Park propose new concepts, approaches and practical measures to promote economic cooperation between the two Koreas and Russia, from four different perspectives. The plans for cooperation between the three parties involve a strengthening of integration and connectivity between the Korean Peninsula, the Russian Far East, Siberia and Eurasia. Russia's natural resources and energy, combined with South Korea's capital and technology and North Korean labor and geographical position, can be strategically combined to form a new growth engine for Northeast Asia. Towards this goal, the three long-term mega projects should continue to proceed, while the areas for trilateral cooperation, definition of concepts, and identification of joint cooperation projects should continue to be revised and upgraded with a focus on improving connectivity and integration.

First, we should reconsider existing views on the scope of cooperation projects, such as development cooperation projects or those to stimulate trade and foreign direct investment, and establish the principles to be applied to these international investment or cooperation projects. Trilateral cooperation projects between the two Koreas and Russia can be divided broadly into the four categories of trade, investment, ODA, and regional integration projects, conducted either bilaterally between two of the three parties or trilaterally between all three parties. Going by these categories, the concept of economic cooperation projects must first be reestablished, followed by efforts to identify promising cooperation projects and specific programs.

Second, the spatial boundaries of trilateral cooperation must be expanded with flexibility. Cooperation projects between the two Koreas and Russia should not be limited only to border

areas with the Korean Peninsula or projects that pass through North Korean territory. The most desirable approach would be to pursue joint investment and cooperation projects involving all three parties in a specific region or nation (e.g. the Rajin-Sunbong SEZ in North Korea, Kaesong Industrial Complex in South Korea, Russian Far East ASEZs, Free Port of Vladivostok), or international cooperation projects conducted by a third party.

Third, it will also be important to conduct joint surveys and studies of trilateral cooperation projects, found three-party cooperation organizations to identify new projects and coordinate policies, and establish the “soft” infrastructure necessary for smooth cooperation such as a comprehensive economic partnership agreement (CEPA) between the three parties.

Fourth, plans must be established to strategically link the denuclearization process of North Korea with trilateral cooperation between the three parties. In the initial stages of North Korea’s denuclearization the talks will mostly be conducted between South and North Korea, the U.S., and China. However, once the denuclearization process enters the phase of actual implementation, Russia will most likely become involved when considering the past experiences of former Soviet nations dismantling their nuclear arsenals. In this case, all aid provided to North Korea in connection with the dismantlement of its nuclear program will take place under agreement between Russia and the U.S., with the possibility of Russia directly involving itself in the form of linking its logistics systems with North Korea or providing energy resources. Based on these approaches, trilateral cooperation between the two Koreas and Russia could serve as an important means to encourage North Korea to proceed with its denuclearization.

Minakir analyzes the potential fields of trilateral cooperation between the two Koreas and Russia from the perspectives of opportunity and limiting factors, going on to summarize the current situation of cooperation projects in each field and the projects conducted. The areas mentioned include infrastructure projects (traffic and power grids, gas pipes and other energy projects, and modernization projects of North Korea’s energy systems), mining projects (the development and processing of rare-earth resources, etc.), tourism, and special economic development zones.

The following factors are pointed out as crucial when it comes to the actual prospects for trilateral cooperation between the two Koreas and Russia: resources that are mutually complementary between the three parties (e.g. Russia’s natural resources and technological prowess in individual industries, the low-cost labor force and mineral raw materials of North Korea, and South Korea’s cutting-edge technologies and financial resources); the three governments’ will and executive ability to strengthen economic ties to achieve political cooperation; the reduction of military and security risks by increasing North Korea’s dependence on Russia and South Korea; the establishment of the institutional environment necessary to increase investment and cooperation in the trade sector between North Korea and Russia; and national fatigue on the part of China stemming from its sense of duty to support the North Korean economy on its own.

On the other hand, the following factors are pointed out as limiting factors hindering trilateral cooperation between the three parties: keen interest and concentrated investment in North Korea on the part of Chinese businesses; potential competition posed by China in regard to the three mega projects; the lack of international financial support for trilateral cooperation projects; a mismatch between Russia and South

Korea in the motivations and goals behind their policies.

Four areas are pointed out as the most promising economic areas when proceeding with trilateral cooperation projects between the two Koreas and Russia. The first is the area of forest cooperation, which includes afforestation and logging operations, as well as the processing of lumber using mechanical and chemical processes. The second area is cooperation in the fishing industry. This category includes fishing operations, production of marine products, development of fish farm and hatchery operations, processing of marine products and production of canned foods, preservation foods and seafood. The third area for cooperation is in the agriculture and livestock industries, including for instance farming vegetables and rice, producing canned vegetable goods, processed soya and rice products, and the pork and poultry meat processing industries. The fourth area is cooperation in the construction industry, bearing relation to infrastructure projects, housing and public facility construction, and the production of construction materials and structures.

Mikheev, continuing with the Russian perspective, examines the limitations of cooperation between North Korea and Russia and the internal and external factors that cause these limitations. As for potential measures to resolve these obstacles, the author explores the possibility of establishing peace on the Korean Peninsula and a market economy system in North Korea, as well as the interconnection of bilateral or trilateral measures between the three parties, including the coordination of a joint response to North Korea by South Korea and Russia. The policy actions proposed here can be summarized as follows.

The first step would be to establish a secure political environment and security regime on the

Korean Peninsula by proceeding with the North Korean denuclearization process, formally issuing an end-of-war declaration, and signing a peace agreement. At the same time, as members of the United Nations, South and North Korea should conclude their own peace treaty or other form of bilateral treaty.

Secondly, an economic and legal environment must be constructed within the North Korean society, making it possible to carry out trilateral cooperation measures based on a market economy. This should be accompanied by measures to induce North Korea's transformation into a market economy, for instance through special economic zones like the Kaesong Industrial Complex and Rason Industrial Complex.

Thirdly, priority projects must be clearly identified for the institutionalization of trilateral cooperation between the two Koreas and Russia. The most realistic approach would be to start with cooperation projects that will not require large-scale funding (e.g. modernization project of Rajin Port, cooperation projects in the areas of information technology, construction, agriculture, or between SMEs and border regions), followed by larger and more capital-oriented projects (e.g. gas, railway and electric power).

Fourthly, an effective funding scheme must be prepared to carry out trilateral cooperation projects. Compared to South Korea, the strategic and economic significance of such trilateral cooperation is relatively smaller from the perspective of Russia. In principle, Russia remains reluctant to become a major investor in trilateral cooperation projects between the three parties, instead placing a higher priority on advancing into the Korean market through cooperation with North Korea.

Fifthly, there must be a response plan in place to counter any perceived major threats on the

part of Russia that could arise during the trilateral cooperation. Such potential threats would include the possibility of large amounts of South Korean capital flowing into North Korea once cooperation projects between the two Koreas and Russia gain momentum. This would distract Korean entrepreneurs away from investing in Russian Far East development projects, which could have a major impact on development plans in the region. These concerns on the part of Russia could be dispelled by pursuing trilateral cooperation projects in the Russian Far East.

Sixthly, an inter-governmental agreement between South Korea and Russia will be necessary for active economic cooperation between the three parties. The agreement must specify the details of cooperation measures in border areas, and leave the possibility for other interested nations to participate in the agreement at a later time.

Karaganov and Natalia Kim, in the following section, provide a clear explanation of Russia's basic stance toward North Korea and trilateral cooperation with the two Koreas. Generally speaking, Russia has opted for a practical stance toward North Korea instead of focusing on the special relationship formed between the former Soviet Union and North Korea based on the historical, ideological and political background they shared. This practical stance has been applied to issues on the Korean Peninsula as well. Russia has worked to prevent another cold war situation being created between North Korea's neighbors surrounding its nuclear development program. Russia has also shown much interest in the denuclearization of and peaceful coexistence on the Korean Peninsula, preserving stability in Northeast Asia, and the establishment of a multilateral security system. Throughout these processes Russia has actively

strived to utilize its geopolitical and geoeconomic characteristics as a neighbor sharing borders with the Korean Peninsula. Russia's current goal is to strengthen its political position on the Peninsula and in the Northeast Asian region through trilateral cooperation projects, while aiming to secure a new market where it can export its energy resources. These plans are limited by the current economic sanctions imposed by the United Nations and U.S., but Russia is placing its hopes on the momentum that the Rajin-Khasan Project could provide toward trilateral cooperation efforts.

IV. Conclusions

Based on the above analyses, we can see that researchers on both the Korean and Russian side recognize the need for cooperation projects with North Korea within changing conditions on the Korean Peninsula. There is also an evident consensus on the need to incorporate new ideas and approaches into the form of definite action plans that can increase the feasibility of trilateral cooperation projects between the three parties. This means now is the time for Korea to confer closely with Russia and identify areas where their strategic interests coincide, and work to produce tangible results in the area of trilateral cooperation between Russia and the two Koreas.

Lastly, this study is a Korean-Russian joint project conducted in advance of the 4th Eastern Economic Forum taking place in Vladivostok, Russia, in September 2018, with Chinese President Xi Jinping in attendance, and amidst high hopes of peace on the Korean Peninsula following the momentous developments of the year. We have focused on producing policy implications for the implementation of national agendas developed by the Moon administration –

namely, the New Economic Map initiative and realization of “economic unification” on the Korean Peninsula, and the establishment of a Northeast Asia-Plus Community of Responsibility – and to explore promising new measures to expand economic cooperation between Korea and the Russian Far East region. Another major goal was to conduct a comprehensive examination of Korea and Russia’s positions toward trilateral cooperation between the two Koreas and Russia, identifying new directions and strategies to promote efforts in these areas. We would have greatly welcomed participation on the part of North Korean researchers to make the situation in North Korea clearer. Nonetheless, there is no doubt this report will serve as a valuable starting point for follow-up studies on cooperation projects between the three nations, including those conducted by North Korean researchers. **KIEP**