

Development of the Russian Far East in 20 Years of the Putin Era: Seeking New Directions for Deepening Cooperation between Korea and Russia

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I. Introduction

This study is the outcome of a joint research project commemorating the 15th anniversary of the establishment of the cooperative relationship between the Korea Institute for International Economic Policy (KIEP) and the Institute for Economic Research of the Far Eastern Branch of the Russian Academy of Sciences (ERI).

As is well known, the year 2020 marks the 30th anniversary of diplomatic relations between Korea and Russia. Therefore, it is time for the two countries to prepare for the “2.0 Era of Korea-Russia Cooperation” while comprehensively evaluating existing achievements and tasks. In particular, in order to build a sustainable relationship between the two countries, it is necessary to establish a strategic contact point between Korea’s New Northern Policy and Russia’s New Eastern Policy, which can be realized through bilateral and multilateral cooperation in the Far East.

In this regard, the main purpose of this study is to understand the main directions, key objectives, and political and economic implications of Russia’s policies in the Far East, which have been strategically pursued since the launch of Putin’s fourth term, and to explore new opportunities and possibilities for development cooperation in the Far East. We hope that this book will serve as a useful guide to open a new path for Far East development cooperation marking the 30th anniversary of Korea-Russia diplomatic relations.

II. Turning Points in Russian Far East Development

Russia’s New Eastern Policy has been pushed in earnest ever since President Putin assumed his third term in office. It aimed primarily at balanced regional development and expansion of diplomatic and economic horizons to the

Asia-Pacific region. The former was intended to improve the quality of life of residents and prevent the outflow of population through the development of the lagging Far East. The latter was to secure new economic growth engines through economic cooperation with emerging Northeast Asian countries (especially China, Korea, and Japan).

New Eastern Policy in Putin's third term was promoted as follows: 1) Establishment of the Ministry for the Far East Development in 2012, 2) Introduction of new tools for attracting investment such as Advanced Special Economic Zones and Free Port of Vladivostok in 2015, 3) Establishment and Regularization of the Eastern Economic Forum in 2015, 4) Implementation of the Far Eastern Hectare program in 2016, 5) Announcement of the "Concept for Demographic Policy in the Russian Far East to 2025" in 2017, etc.

After launching Putin's fourth term (2018-2024), Russia is pursuing a new approach to the Far East Development Policy in order to create tangible results of the New Eastern Policy in the following manner: 1) Incorporation of two federal subjects belonging to the Siberian Federal District into the Far Eastern Federal District in November 2018, 2) Relocation of the administrative center of the Far East from Khabarovsk to Vladivostok, 3) Expansion of business scope and reorganization of the Ministry for the Far East Development, changing its name to the Ministry for the Far East and Arctic Development, etc.

This means that Russia's Far East Development Policy has entered a new phase. Particularly noteworthy is the fact that the Far East Development Policy has turned its focus to the southern region of Primorye (Primorsky Krai), where Vladivostok is located. In other words, it can be interpreted that there will be considerable interest and intensive investments in the areas bordering the Korean Peninsula.

III. The Korean Perspective on the Russian Far East

From the Korean point of view, equally, the Russian Far East has great strategic value. In the event the New Economic Initiative of the Korean Peninsula becomes feasible, depending on the dynamics of North Korea's denuclearization, the geopolitical and geoeconomic importance of the Russian Far East will further increase.

Russia's Far Eastern region not only strategically links the Korean Peninsula and the Eurasian continent, but is also a key space for promoting Northern Triangle cooperation among South Korea, North Korea and Russia. At the same time, the Russian Far East is a crucial axis for strengthening roles of the so-called "bridge country" connecting the continent and the ocean, which is the vision of Korea's future national strategy, and a bridgehead for securing new sources of economic growth, through its expansion into Northern emerging markets.

Given the future development and utilization of the Arctic Route and the formation and development of the East Sea Rim Economic Zone, close cooperation between Korea and Russia is essential. In addition, if the issue of the Korean Peninsula is resolved peacefully, the development potential of bilateral and multilateral cooperation in connection with the Russian government's Far East development policy could be further increased.

IV. Seeking Cooperation and Economic Integration between the Russian Far East and the Korean Peninsula

Under this background, it is necessary for Korea and Russia to find and facilitate cooperation projects that can promote economic integration between the Russian Far East and the Korean Peninsula through more strategic thinking. Based on this regional integration policy, it will be necessary to pursue a strategy to strengthen the growth engine of the entire region. To this end, mutual investment and M&A should be revitalized within the region, and new innovative industries fostered in line with the era of the Fourth Industrial Revolution. Through this, rather than simple trade or quantitative growth, the qualitative change of Korea-Russia cooperation should be pursued. Considering that one of the traditional ways to overcome economic sanctions or trade conflicts is the activation of regional blocks, it is

essential to strengthen cooperation and economic integration between the Russian Far East and the Korean Peninsula.

Korea has made investments in all of Russia and the Russian Far East, and has made efforts to diversify these investments and achieve qualitative development. As part of the investment cooperation, Korean companies also sought ways to participate in projects promoted in the Advanced Special Economic Zones and Free Port of Vladivostok. Plans to participate in the Arctic route and Arctic infrastructure development projects were also discussed several times. However, there has been no noticeable progress in key issues of discussion, due to the sanctions against Russia, North Korea, and financial reasons.

Sanctions against Russia and North Korea are a clear factor impeding Korea's investment in Russia. However, it should be noted that the global economic environment is changing, as can be seen in the US-China and Korea-Japan trade disputes. In particular, the recent conflict between Korea and Japan over the supply of materials in high-tech industries demands more diverse cooperation in order to strengthen the stability of the supply chain. In this situation, Korea needs to promote cooperation with Russia, especially in the Far East, from the long-term perspective of the formation of the Korean Peninsula's economic sphere. The existing strategy for cooperation with Russia should be reorganized, and new key projects should be jointly developed and promoted by the public and private sectors.

V. Conclusions

In order for Korea to take the lead in establishing a cooperative structure in this region through the New Northern Policy, more bold and comprehensive thinking-based strategic decisions and innovative cooperation strategy are needed. Strategic decisions should be led by the government as at the time of promoting diplomatic relations with the Soviet Union, and it is more desirable that the public-private partnership make an innovative cooperation strategy.

It is imperative that Korea seeks preemptive countermeasures while accurately grasping the new directions and changes of the Far East development policy in Putin's fourth term. In particular, there are new areas in which the two countries can cooperate in addition to the existing areas of cooperation. This can be summarized into five areas as follows.

First is the cooperation of parts and materials development between Korea and Russia. Although Russia possesses enormous rare earth resources, it has suffered considerable difficulties in mass production of electronic components to foster the electronics industry so far. This has been a significant obstacle when it comes to developing a broad portfolio ranging from automobiles to supercomputers.

Second, it is worth considering cooperation in the shipbuilding sector, such as building large marine vessels including ice-strengthened vessels along with the Arctic development. Russia has lost most of the production capacity, technology and human resources in the shipbuilding sector for over 30 years after the dissolution of

the Soviet Union. Since Korea has global competitiveness in this area, it can be said that the potential for bilateral cooperation is very high.

Third is the case of cooperation in the agricultural field. Russia has recently sought to foster agriculture as a new export industry. Based on its research and industrial base, it is gradually recovering the capabilities in the agricultural and livestock industry that have been lost over the past 30 years. Japan is actively promoting cooperation in this area. Japanese companies have successfully promoted the vegetable greenhouse cultivation business, proving the potential of the agricultural project in the Russian Far East.

Fourth is cooperation in the health field. Russia is currently undergoing reforms in the health sector. In 2018, Russia adopted a second national health program. Based on this, a number of special high-tech medical centers have been constructed or are currently under construction. However, the situation in Russia's health sector remains poor. The medical system has not been properly established due to the consolidation and restructuring of medical institutions. In this regard, cooperation between Korea and Russia in the medical field is very promising. The Korean experience of developing its medical and health care system can be a very important role model for Russia.

Fifth is the case of cooperation in the Arctic route and Arctic resource development. This is of great importance in terms of enhancing logistics competitiveness. In addition to cooperation in building ice-strengthened vessels, joint exploration and development of resource deposits, and related infrastructure development can be considered. KIEP