

# Unlocking Russian Interests on the Korean Peninsula

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The close relationship that once existed between Moscow and Pyongyang is a relic of the Cold War. In fact, there is reason to believe that the two neighbors now share little in common. Yet decades ago, the Soviets exercised tremendous influence over the North Korean regime, anecdotally evidenced by Kim Il-sung's fateful request to Josef Stalin asking to invade the South in 1950. Stalin, after much consternation, finally gave his approval.<sup>1</sup> By deferring to Stalin, Kim Il-sung sought continued Soviet support, which he received for roughly 40 years until the breakup of the Soviet Union. In the early 1990s, however, this partnership changed significantly. Russia's national interests have conspicuously drifted since then, favoring South Korea over the North. What has caused the shift in Moscow's attention south from Pyongyang to Seoul, and what are the strategic consequences of this development in light of South Korea's goal to one day reunify the peninsula? This striking change in Russian focus is significant because it offers opportunities to enhance the United States-Republic of Korea alliance, opportunities that should be carefully incorporated into America's strategic planning.

This is not to say that the Russians have lost interest in North Korea. Russia, which shares an often overlooked 12-mile border with North Korea, is naturally concerned about its neighbors, especially when one of them maintains the fourth-largest military in the world, claims to possess nuclear weapons, struggles with widespread famine, and is ruled by a regime vulnerable to collapse. North Korea is also the only territory separating Russia from an overland connection to South Korea, the 15th-largest economy in the world and one that has been growing at a feverish pace during the past two decades.<sup>2</sup> It is no surprise that energy-rich Russia and energy-hungry South Korea have developed a symbiotic attraction. The former is anxious to bring to market its abundance of untapped energy resources, while the latter continues to grow its insatiable demand for bio-carbon fuels. On the other hand, Russia sees little value in the declining North Korean economy, which for the most part remains closed and continues a downward spiral. If in the long-

# Report Documentation Page

Form Approved  
OMB No. 0704-0188

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1. REPORT DATE <b>2009</b>		2. REPORT TYPE		3. DATES COVERED <b>00-00-2009 to 00-00-2009</b>	
4. TITLE AND SUBTITLE <b>Unlocking Russian Interests on the Korean Peninsula</b>				5a. CONTRACT NUMBER	
				5b. GRANT NUMBER	
				5c. PROGRAM ELEMENT NUMBER	
6. AUTHOR(S)				5d. PROJECT NUMBER	
				5e. TASK NUMBER	
				5f. WORK UNIT NUMBER	
7. PERFORMING ORGANIZATION NAME(S) AND ADDRESS(ES) <b>US Army War College ,ATTN: Parameters ,122 Forbes Avenue,Carlisle,PA,17013-5238</b>				8. PERFORMING ORGANIZATION REPORT NUMBER	
9. SPONSORING/MONITORING AGENCY NAME(S) AND ADDRESS(ES)				10. SPONSOR/MONITOR'S ACRONYM(S)	
				11. SPONSOR/MONITOR'S REPORT NUMBER(S)	
12. DISTRIBUTION/AVAILABILITY STATEMENT <b>Approved for public release; distribution unlimited</b>					
13. SUPPLEMENTARY NOTES					
14. ABSTRACT					
15. SUBJECT TERMS					
16. SECURITY CLASSIFICATION OF:			17. LIMITATION OF ABSTRACT	18. NUMBER OF PAGES	19a. NAME OF RESPONSIBLE PERSON
a. REPORT <b>unclassified</b>	b. ABSTRACT <b>unclassified</b>	c. THIS PAGE <b>unclassified</b>			

term Russia is looking to North Korea for any economic boon, it is for access to North Korean territory to enable further trade with the South.

Regardless of what the future holds for North Korea, whether it is peaceful economic and political transformation, catastrophic regime change, or even war waged in desperation against the South, insight into Russia's perspective is critical to any strategic course charted by the United States. In order to develop this understanding, a willingness to depart from conventional thinking, namely an outlook that encourages blind skepticism and even cynicism toward Russia, is required. This article will present a characterization of Russian interests at odds with assumptions positing that in any war or regime collapse scenario, the Russians would necessarily be uncooperative with South Korea. On the contrary, the long-term convergence of Russian and South Korean economic interests creates cause for optimism and presents strategic possibilities in the event of a North Korean crisis.

### *Moscow's Distancing from Pyongyang*

Russia's abrupt about-face in its long-standing patronage of North Korea began at the end of the Cold War. At that time, Russian diplomats were eager to demonstrate to the world that their nation had truly reformed and that Russia had wholeheartedly replaced totalitarian-Communist thinking with the western, democratic free-market ideal. In a dramatic shift in policy, Russia in 1990 diplomatically recognized South Korea and shortly thereafter ceased its sizable flow of military and technical aid to North Korea.<sup>3</sup> Andrei Kozyrev, Boris Yeltsin's Foreign Minister, even went on to accuse North Korea of serious violations of human rights and to declare that a change in its government was needed.<sup>4</sup> Today, the basic principles behind this radical change in policy endure, although the rhetoric has been somewhat tempered by the Putin and Medvedev administrations. Nevertheless, it is clear that Russia has no interest in propping up the current North Korean regime, and it would most certainly not support the North militarily in the event of war.

Russia more recently, however, has shown that it wishes to restore some semblance of its favorable diplomatic relations with the Kim Jung-il regime, which has led to a policy that can be summarized by the simple phrase "the road to Seoul lies through Pyongyang."<sup>5</sup> There are two aspects

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of this statement, one figurative and one literal, and both have important meanings. Figuratively, Moscow realizes that in order to most effectively engage the South Koreans, Russia has to appear to be in a position of influence with respect to the North. In other words, diplomatic and economic opportunities will materialize when Seoul believes it is dealing with a major regional player capable of placing constructive pressure on Kim Jung-il. The literal meaning highlights the fact that any overland linkage with the South, whether it is via road, rail, or pipeline, must cross North Korean territory. For the Russians to obtain a transportation corridor would be a watershed event, effectively connecting not only Russia to South Korea, but also South Korea to Europe through Russia. The point of failure for both of these initiatives is an uncooperative North Korean regime.

Russia's recent desire to improve relations with the North has not stopped Moscow from condemning Kim Jung-il's bad behavior. When North Korea conducted ballistic missile and underground nuclear tests in 2006, Russia responded by supporting United Nations Security Council resolutions 1695 and 1718, condemning both events.<sup>6</sup> Six months later, Vladimir Putin demonstrated even further disapproval by signing a decree prohibiting Russian government agencies and commercial ventures from exporting or transporting military hardware, equipment, materiel, or technical assistance that could be used in any of North Korea's weapons programs.<sup>7</sup> Russian actions have shown that their desire for relations with North Korea does not eclipse their other, more compelling security interests.

With its eye on broadening trade with South Korea while stifling North Korean antagonism, Moscow's interests most closely match those of Seoul rather than Pyongyang. In the opinion of Professor Alexander Vorontsov, Russia has come to consider future Korean unification as a desirable outcome provided that the merging of the two states occurs in a manner that is both prosperous and advantageous to Russia.<sup>8</sup> Since South Korean domestic and international policy offers conditions most beneficial to Russia, this leads to a logical conclusion that should be emphasized. Russia in principle would not oppose South Korean-led reunification, a position that would have been unthinkable during the Soviet era. At the same time, according to Professor Vorontsov, Russia does seek to avoid military conflict on the Korean Peninsula for the following reasons:

- To ensure the security of Russia's Far East regions.
- To prevent an ecological or humanitarian disaster on Russian soil, especially if nuclear weapons are used.
- To avoid complicating relations with Washington and Tokyo.
- And to protect the considerable investment Russia has made in rail and pipeline infrastructure in the Far East.<sup>9</sup>

The remainder of this article will focus on the principal endeavor underlying the last of these four rationales: the Russian economic project vis-a-vis South Korea.

### *A Matter of Economics*

The center of gravity for Russian exports falls unmistakably within the oil and natural gas sectors, which have also been the driving force behind Russia's economic growth during the past five years.<sup>10</sup> According to the International Monetary Fund and World Bank, Russia in 2007 derived 64 percent of its export revenues from these two commodities alone.<sup>11</sup> Russian oil and natural gas production has a significant effect on the aggregate world supply. Russia in 2007 had the distinction of being the world's largest exporter of natural gas and the second-largest exporter of oil.<sup>12</sup> More recently, claims are being made that Russia has surpassed Saudi Arabia in volume of oil exports, making it the largest producer of "black gold" in the world.<sup>13</sup> Consequently, the impact of changes in world oil prices on the Russian government is staggering. Depending on the direction, a \$1 per barrel change in oil prices results in a \$1.4 billion loss or gain in Russian revenues.<sup>14</sup> Russia's principal challenge, then, in obtaining increased government revenues and economic growth is the expansion of its oil and natural gas exports.

The region offering perhaps the greatest promise for expanded Russian energy export is the Far East, with its chief limitation being a lack of distribution infrastructure. A great deal of Russia's resources are ideally located to serve Pacific Rim markets, from vast oil and natural gas fields in eastern Siberia to reserves on Sakhalin Island. By itself, Sakhalin Island, just north of Japan, holds 25 percent of Russia's oil and six percent of its natural gas.<sup>15</sup> Due to the lack of pipeline infrastructure, these resources remain largely untapped. Adding further inefficiency to Russian exports is the absence of a true ice-free port in the Russian Far East. Of the three major ports in the vicinity of Vladivostok, all experience some degree of icing during winter months.

Vladivostok's limitations have recently led Russia to show interest in the North Korean port of Najin, situated in the remote northeastern corner of the Korean Peninsula. Unlike Vladivostok, Najin is ice free.<sup>16</sup> It lies inside a special administrative region called Rason, one of four special economic zones in North Korea. In 2007, Russian Railways chief executive officer Vladimir Yakunin and North Korean authorities signed an agreement to open the port for the first time to foreign trade, and in March of 2008, both sides agreed to start the construction of a 34-mile Russian-built rail segment connecting Najin

to Russia.<sup>17</sup> By gaining access to Najin, Russia hopes to relieve congestion at Vladivostok, increase year-round trade with Japan and South Korea, and make initial progress toward its most sought-after prize, the proposed trans-Korean railroad.

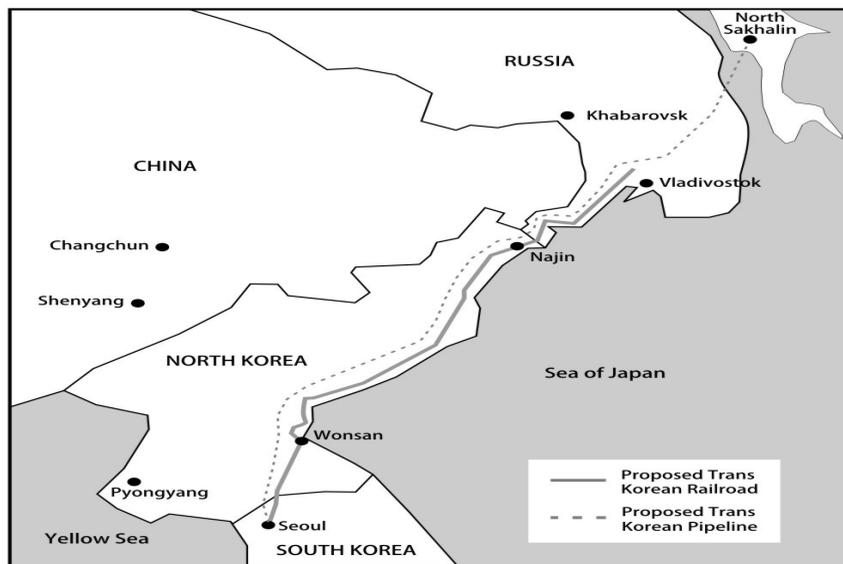


Figure 1. Proposed Transportation Infrastructure

From the rail transit perspective, the prospect of a trans-Korean railroad that would connect South Korea to the Russian railway network stands as a tremendous opportunity for Russia.<sup>18</sup> While the project has been effectively stalled by the North Koreans, the vision of a rail line connecting the Trans-Siberian Railroad (TSR) to South Korean markets and the Asian transshipment hub of Pusan has inspired Moscow to engage Pyongyang aggressively on the issue.<sup>19</sup> For example, in 2004 when North Korean Railway Minister Pak Jong Song endorsed Putin's plan to link the TSR with the Korean rail networks, Russia responded with a 35,000-ton shipment of wheat, its first-ever food aid shipment to North Korea.<sup>20</sup> If Russia can connect the TSR to an ice-free port and eventually to South Korea, it would not only expand the volume of its own exports, but would also create a land bridge stretching from Pusan to Europe. Russia in turn would receive transit fees from the overland shipment of goods.

Along with import and export revenues, transit fees are a significant source of income for Russia. According to Russian estimates, the establishment of a rail line connecting Najin and the TSR could yield up to \$1 billion

in transit fees annually.<sup>21</sup> If Russia succeeds in making the TSR an attractive alternative to maritime shipping, the overland transit of goods from Asia to Europe could replace the circuitous Indian Ocean shipping lanes as the route of choice.<sup>22</sup> This would be beneficial, among other reasons, because the transit phase is two to three times faster along the TSR than by sea. The sea route is further complicated by the inherent necessity to pass through pirate-infested shipping lanes.<sup>23</sup> Russian rail infrastructure investment in the Far East, which might also eventually include an overland link to South Korea, holds great promise for Russia as the world increasingly recognizes the potential benefits associated with the transcontinental shipment of goods.

Improved rail infrastructure is not the only major endeavor currently pursued by the Russians in the Far East. A substantial investment is under way in pipeline projects, perhaps the most noteworthy being the nearly 2,000-mile-long Eastern Siberia Pacific Ocean Pipeline. At a cost of \$16 billion to \$18 billion, Russia hopes to expand its existing pipeline network and deliver low-cost oil from East Siberia and Sakhalin Island to South Korean and Japanese markets.<sup>24</sup> Together, pipeline projects and TSR upgrades are part of a \$550-billion transportation infrastructure initiative announced by Prime Minister Putin in May of 2008, and touted as the biggest investment project in Russian history.<sup>25</sup> To say Russia believes that infrastructure is the key to its long-term economic growth would be an understatement. In the remote Russian Far East, a lack of rail and pipeline infrastructure alone stands in the way of fully realizing the economic opportunities presented by China, Japan, and South Korea and provides the key to Russian economic growth.

### *A Convergence of Interests*

Recent collaboration between Russia and South Korea has demonstrated that the two countries share common interests at a variety of levels. In fact, the current bilateral course may very well lead to an unprecedented partnership. From the South Korean perspective, the partnership has two main advantages. First, Russia's pressure on North Korea to become more economically open, especially with regard to the trans-Korean railway initiative, is vitally important. Many observers believe that the more North Korea opens its doors to capitalistic enterprise, the more likely peaceful reunification will occur. Second, South Korea foresees the expanded use of the Trans-Siberian Railroad as a cost-effective means of transporting goods to and from Europe.<sup>26</sup> A long-term arrangement to use the Russian rail network as a conduit for trade with Europe would inevitably reduce the cost of imported goods and broaden South Korean export opportunities.

In the wake of stalled discussions on the trans-Korean railroad, South Korea has recently struck a deal with Russia to build an exclusive-use South Korean port facility in the vicinity of Vladivostok.<sup>27</sup> This interim move effectively bypasses the overland rail route that the North Koreans have refused to provide, namely the eastern branch of the trans-Korean railroad linking Pusan to Vladivostok. In exchange for exclusive rights to the port, Seoul has agreed to import natural gas from Russia for 30 years beginning in 2015.<sup>28</sup> The agreement is part of a \$102-billion natural gas and chemical contract, an arrangement that would significantly reduce South Korean dependence upon natural gas from the Middle East. To minimize transit costs, Seoul intends to build a pipeline from Vladivostok through North Korean territory. If in the short-term the North Koreans reject this proposal, the South Korean plan is to transport liquefied or compressed gas from Russia via ship. Until last year, South Korea had never imported natural gas from Russia. In 2015, it expects to receive 20 percent of its natural gas supply from Russia.<sup>29</sup>

By completing the Vladivostok deal, Moscow entered into an agreement that expanded the scope of its energy exports and confirmed its intentions toward South Korea. This latest development appears to be only the tip of the iceberg, the initial step toward a relationship of economic interconnectedness between two nations that are on increasingly good terms. While it is obvious that mutual trade is beneficial for both countries, the real strategic point of convergence is their shared vision of a more economically open North Korea.

### *The Chinese Competition*

Russia's hope to gain broader economic access to the Korean Peninsula has not gone unchallenged by China. Over the past several years, the Russian plan to transit goods through an ice-free North Korean port has been complicated by the Chinese, who like the Russians recognize the value of Najin. In December of 2006, China broke ground on an exclusive-use port facility of their own in Najin, a project valued at nearly \$1 billion.<sup>30</sup> The Russian Railway newspaper *Gudok* has characterized this development as the "China threat."<sup>31</sup> It appears that China has capitalized on its diplomatic pride of place with Pyongyang to gain access to Najin first and in a way that would guarantee that the Chinese benefit from Russia's planned rail initiative. The Chinese plan to preempt the Russians has not only their own economic interests at heart, but also highlights Russo-Chinese competition and the divergence of their strategic goals over the past two decades, particularly with respect to the Korean Peninsula.

Prior to the Najin deal, China's past attempts at making economic inroads with North Korea have been halfhearted at best. In contrast to China's economically progressive form of communism, North Korea has been almost entirely closed to foreign enterprise, with the exception of specially designated regions situated at its four corners: Rason (which includes Najin, in the northeast); Sinuiju (in the northwest); Kaesong Industrial Complex (in the southwest); and Kumgangsan Tourist Region (in the southeast). Rason, pressed up against the border with Russia and China, has been a special economic zone since 1993, yet it has remained largely undeveloped. The Sinuiju Special Administrative Region, which was established in 2002 in the hope of luring Chinese businesses, has been even less successful.<sup>32</sup> Despite North Korea's past economic overtures toward China, the Chinese have for the most part been unwilling to reciprocate with large-scale investment.

China's lack of enthusiasm for North Korean economic transformation might be for good reason. Unlike Russia, China is quite satisfied with the geostrategic placement of its Stalinist neighbor.<sup>33</sup> North Korea has long stood as a territorial buffer between China and the US-backed Republic of Korea. Despite being South Korea's number-one trading partner, China's economic interests have yet to outweigh its political concerns regarding a reunified, pro-western Korean republic situated along its border. Hence, China seems to have every reason to resist any catalyst for dramatic economic change within North Korea, on the grounds that greater economic openness would be the precursor to South Korean-led reunification.<sup>34</sup> This Chinese view is in stark contrast to the Russian perspective, which looks forward to the day when goods will transit freely through the Korean Peninsula.

### *Understanding Russia's Past*

While Russian and South Korean interests are finding common ground, there is risk that the opportunities this convergence creates for US foreign policy may be hampered by lingering mistrust from Russia's Soviet past. This phenomenon has been exacerbated by Moscow's seemingly unpredictable, unilaterally contrived conduct during the past decade. Seen in this light, the evidence supports those who would say that it has been impossible for the former Soviet Union to depart fully from its shadowy Cold War tendencies, for example the Russian incursion in Kosovo in June of 1999. When 200 Russian forces preemptively seized Pristina airport before NATO units could arrive, then-NATO Supreme Allied Commander General Wesley Clark reacted by describing the Russian move as "bizarre."<sup>35</sup> Even though the tense situation subsided and Russian peace-

keepers eventually became part of the NATO Kosovo Force mission, the damage to Russia's reputation had already been done. Russia gave the impression it could not be trusted. Yet what was not apparent at the time was the extent to which Russia opposed the West's vision of the post-war Balkans, specifically when it came to Kosovan independence. The subject endures to this day as a point of contention between Russia and the West.<sup>36</sup> In hindsight, Russia seemed to have been acting in its own national interests, attempting to carve out a sector under the protection of Russian peacekeepers that would overcome calls for a future Kosovan state.

A more recent example of Russia's unexpected conduct has been its incursion into Georgia. Hidden from most media reporting were points made by former US Ambassador to the Soviet Union Jack Matlock, who suggests that Georgia "poked Russia in the eye" and argues that Georgia has long been tempted to subdue the Ossetians and Abkhazians by force. In his opinion, Russia saw its intervention as similar to NATO's involvement in Kosovo.<sup>37</sup> In contrast, the mainstream western reaction was quick to accuse Russia of an unjust war against a sovereign state. Little was mentioned of legitimate Russian interests, such as its long-standing peacekeeping mission and its desire to prevent civil war or a humanitarian crisis in neighboring Georgia. Opportunistic Georgian leadership, which may have seen its sizable contribution to the US mission in Iraq as a guarantor of American support, might even be to blame for having started the war.<sup>38</sup> From the standpoint of US policy, perhaps the problem was not as much Russian audacity as it was American policymakers' inability to recognize Russian interests and anticipate its actions. If a habitual inability to understand Russia persists, America and its western allies are at risk of suffering from strategic miscalculation and, in the case of North Korea, potentially a missed opportunity.

### *Conclusion*

Russia's interventions in Kosovo and Georgia clearly demonstrate that Russia will not hesitate to use military force if a regional crisis threatens its national interests. In light of these two examples, one might be quick to conclude that the Russians will similarly intervene in the event of a Korean crisis. Recent Russian policy, however, seems to suggest the possibility of an entirely different outcome if a Korean crisis were to occur. This is because a remarkable convergence in long-term interests between Seoul and Moscow has begun to occur, one that has led Russia to militarily isolate North Korea and to pressure Pyongyang to open its doors economically. The

origin of this shift in Russian policy has been Russia's desire to create a lasting, mutually beneficial economic partnership with South Korea.

Russia's economic partnership with South Korea is causing the strategic calculus on the Korean Peninsula to change dramatically. The long-standing stalemate, once exacerbated by the Soviet Union's support to Pyongyang, is beginning to show signs of fissure as Russia now appears more like a potential ally to the South Koreans than a belligerent. Rather than presenting a direct challenge to South Korean-led reunification, Russia may now actually be in the position of supporting it. Nevertheless, Moscow's delicate diplomatic stance remains tenuous as it tries to balance the risk of alienating the North against the benefits of favoritism toward the South. Adding to the equation is the United States, whose inherent skepticism toward Russia potentially jeopardizes the tremendous opportunity Russia is presenting to America's close military ally, the Republic of Korea.

For nearly 60 years, the United States has invested vast resources to help keep the North Korean military machine at bay. If American policy is firmly committed to a reunification of the peninsula under the purview of its alliance partner and if a future North Korean crisis is in fact a real possibility, then the United States should consider this new prospect, namely Russian cooperation on the Korean Peninsula, as an asset that could help undermine the North Korean regime. The strategic value of such a partnership might even be efficacious enough to directly lead to a final termination of the decades-long standoff in Korea. Yet this opportunity may be missed if not carefully nurtured now, before war or crisis occurs within North Korea.

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