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Editor-in-Chief:

I.S. Ivanov, Corresponding Member, RAS, Dr. of History

Authors:

G.A. Ivashentsov, Ambassador (Team Leader); **A.V. Vorontsov**, Ph.D. in History; **V.L. Larin**, Dr. of History; **V.G. Samsonova**, Ph.D. in Economics; **S.S. Suslina**, Dr. of Economics; **G.D. Toloraya**, Dr. of Economics; **A.N. Fedorovsky**, Dr. of Economics

The authors express their gratitude to the following experts for their consultation:

K.V. Asmolov, Ph.D. in History; **A.Z. Zhebin**, Ph.D. in Political Science; **E.E. Kim**, Ph.D. in Philosophy; **V.E. Petrovsky**, Dr. of Political Science; **V.E. Sukhinin**, Ambassador

Copy editors:

I.N. Timofeev, Ph.D. in Political Science; **T.A. Makhmutov**, Ph.D. in Political Science; **L.V. Filippova**; **D.M. Khaspekova**; **A.P. Tsvetov**

Translation editors:

S. Glaessner; **D. Szakonyi**

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Any linguistic inadequacies in the publication are the sole responsibility of the translation editors.

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I. COMPREHENSIVE REVIEW OF RUSSIA—REPUBLIC OF KOREA RELATIONS

Gleb Ivashentsov

Prospects for Russia—Republic of Korea Relations

Russia's 2012 chairmanship of the Asia-Pacific Economic Cooperation (APEC) and the APEC summit in Vladivostok opened up a new phase in the country's policy towards Asia. Its goal is not just to fly the Russian flag in the Pacific. Russia's strategy in the region is supposed to achieve at least three critical objectives: ensure national security of the country's eastern borders, realize the potential for cooperation with Asia-Pacific countries in order to modernize and develop Russia as a whole, and provide for a decent standard of living for Russia's eastern communities.

Russia's domestic and external interests are intertwined in Northeast Asia more than in any other region. Russia's future as a great power is secured by the economic, technical and social development of Siberia and the Far East. Tremendous goals have been defined for the region, which, if achieved, should offer great yields. This is due undoubtedly to the consistent development of Siberia and the Far East of Russia, with all their natural and other resources, that should be compared in its trajectory to that of the Western part of the United States more than a century ago, if not exceed those outcomes. This will surely impact all social and political processes in the Asia-Pacific region and beyond.

Domestic objectives necessitate defending against external threats, while the main source of military threats in Northeast Asia is the 60-year-old military standoff in the Korean Peninsula.

Geographically Russia and the Republic of Korea are neighbors, yet Korea was overshadowed by China for many years and remained closed to foreigners. This is why Russia—Korea bilateral contacts have only existed for a little more than 150 years. Of those, a short period of the Russia—Korea rapprochement at the turn of the 19th–20th centuries was followed by a long period of mutual isolation. In 1910–1945, Korea was colonized by Japan. The defeat of Japan in WWII put an end to Japanese domination in Korea. The northern part of Korea was placed under control of the Soviet military administration, while the southern part came under that of the USA. Two states emerged in 1948 — the Republic of Korea in the south and the Democratic People's Republic of Korea (DPRK) in the north. The Korean war of 1950–1953 began as a local armed conflict between the two Korean camps: the North intended to bor-

row the Soviet model to unite the country while the South stated its commitment to the American principles of state development. These different paths resulted in a large-scale military conflict within the Cold War context. The great powers found themselves drawn into the Korean War indirectly or directly, including the USA, the UK, the Soviet Union, People's Republic of China (PRC), and the United Nations which in 1950 deployed under its flag an international military contingent in Korea in order to "repel the aggression of the North". Yet neither the North, nor the South achieved their goals. Korea was divided into two states, later upheld by the two mutually opposing camps on the global arena. In line with Cold War norms, the Soviet Union, China and other socialist countries refuted the existence of the Republic of Korea, whereas the USA and its allies did not recognize the DPRK. Diplomatic relations were established between Moscow and Seoul only as late as 1990 when the bipolar confrontation began to wane. Also, no recognition followed in response. Although both Koreas joined the UN as full members, the DPRK has had no diplomatic relations neither with the USA, the Republic of Korea, nor Japan.

The Republic of Korea Today

Today's Republic of Korea (ROK) is a **highly developed state with sizable economic potential**. With its population of 50 million, it accounts for about 2% of the global gross product and ranks eighth in the world in external trade.¹ The country is the second largest shipbuilder, accounting for 33% of the global contract portfolio.² It comes in third in the manufacture of semiconductors³ and display sets; fifth in automobiles,⁴ and sixth in steel output.⁵ The ROK is a major supplier of arms and military equipment to the Asia-Pacific and global markets, including anti-aircraft missile systems, armored personnel carriers and infantry combat vehicles, tanks and aircraft.⁶

The ROK is in the global top-10 in R&D investment and in the top-4 with regards to applications for invention after the USA, Japan and China. South Korea boasts its own space exploration program

¹ Estimates based on: World Development Indicators 2013. URL: <http://www.wdi.worldbank.org/table/4.1>

² Logachev S.I. The Global Transport Shipbuilding: Trends and Prospects (rus). URL: http://www.morvesti.ru/analytics/index.php?ELEMENT_ID=15334

³ InvestKorea. URL: <http://www.investkorea.org/ikwork/iko/eng/cont/contents.jsp?code=1020701>

⁴ International Organization of Motor Vehicle Manufacturers. URL: <http://www.oica.net/category/production-statistics/>

⁵ Korea Iron and Steel Association. URL: http://www.kosa.or.kr/sub/eng/introduction/sub02_2.jsp

⁶ Korea Emerges as an Arms Development Powerhouse // Korea Times, 16.06.2010. URL: http://www.koreatimes.co.kr/www/news/nation/2010/08/205_67771.html

and plans to launch its first probes to the Moon's orbit by 2020 and the Moon's surface by 2025.⁷

Following generally the U.S. line in its external policy, the ROK, however as it grows stronger economically, seeks to secure a degree of **certain autonomy in its international affairs** and the possibility of keeping its own more flexible line, primarily economically. For example, South Koreans promote their economic breakthrough record as a model for developing countries (the "third world"), which was strengthened especially during the promotion of Ban Ki-moon to the office of the UN Secretary General. ROK companies are currently very proactive all over the world, including Southeast and South Asia, the Persian Gulf, Africa and South America.

High on the agenda is South Korea's accession into the **trilateral economic bloc** of Northeast Asia, including China and Japan. Taken together, the three countries enjoy a population of 1.5 billion, or 22% of the total population worldwide, over \$10 trillion in GDP total, or 1/5 of the total worldwide; and \$7.6 trillion in the trilateral trade – over 16% of the global value.⁸ The new regional grouping could become third in the world after NAFTA and the EU. The economic prerequisites for this have been on hand for long. For instance in 2012, China—ROK trade totaled \$215 bn with \$103 bn between Japan and the ROK. China and Japan account for 30% of the entire South Korean trade turnover.⁹ The ROK estimates that the free-trade agreement may help increase its national GDP by 1.46% within a decade of the effective signing date.¹⁰ Once such agreement is signed in 2013, the unified marketplace worth \$14.3 trillion will be shaped. This would be the ROK's third valuable agreement after the FTA with the USA and with the EU. At the same time, another agreement is being developed about ROK involvement in the draft Comprehensive Economic Partnership for East Asia Agreement (CEPEA). As planned, such an agreement would be similar to a free-trade area. It involves 10 ASEAN member-states and their six partners, i.e. the ROK, China, Japan, Australia, New Zealand and India.¹¹

However, the ROK is **facing serious domestic and external obstacles**. Given the ROK's strong economic dependence on the

⁷ South Korea Eyes Moon Orbiter in 2020, Landing 2025 // Reuters, 20.11.2007. URL: <http://www.reuters.com/article/2007/11/20/us-korea-rocket-idUSSE024596320071120>

⁸ Korea Customs Service. Import/export by country. URL: <http://www.customs.go.kr/kcshome/trade/TradeCountryList.do>

⁹ Estimates based on: Korea Customs Service. Import/export by country. URL: <http://www.customs.go.kr/kcshome/trade/TradeCountryList.do>

¹⁰ Start of Trilateral Free-Trade Talks among Korea, China and Japan // KBS World. 26.11.2012.

¹¹ Risaburo Nezu. Comprehensive Economic Partnership in East Asia // Fujitsu Research Institute. 9.09.2009. URL: <http://www.jp.fujitsu.com/group/fri/en/column/message/2009/2009-9-9.html>

global market, with the external trade ratio nearing 100%,¹² the recent international crisis trends have affected the country most adversely. The country's economic development has slowed down significantly, with a mere 2.5% GDP growth rate in 2012 versus an average of 6%¹³ in the 1990s. The industrial growth rate has slumped the most, decreasing to less than 2% against 10% to 12% in the past years.¹⁴

As expected, the GDP growth rate will remain fairly low all the way to 2030. Unfavorable trends in demography will be a key factor constraining economic progress.

The ROK population is aging fast. In 2011, the share of those over 65 exceeded 10%.¹⁵ This reduction in the labor force is even more threatening due to the sharply negative attitude of people to immigrant labor. The high average age of the employed will affect workforce efficiency and product quality. Theoretically, ROK's demographic problem may be resolved with the unification of Korea, which would add an estimate of 24 million people from North Korea.¹⁶ In the long-term perspective, South Korea may also face other challenges. A key one will be lowered competitive power due to the higher cost of its products compared with those made in China.

Amidst this socio-political aggravation, the ROK society is becoming increasingly polarized. Right-wing conservatives have consolidated after their temporary retreat during the liberal presidencies of Kim Dae-jung and Roh Moo-hyun. The younger and more educated liberal part of the society has not yet organized itself, nor does it have a bright leader, while also being reactive towards the right. However, one should not exclude the respective organization and leaders that may appear in the coming years provided the national economy continues to decline. Similar to neighboring China and Japan, nationalism is being used intensively by both the right and the left as a mobilizing force in ROK politics.

Incumbent president Park Geun-hye and the new government are facing the challenge of searching for a new economic growth model that relies on a more balanced development of the domestic and external economies, deeper SME involvement in majors' industrial chains, as well as improved country competitiveness and socio-economic growth.

¹² As reported by the ROK customs service, the 2012 South Korea's foreign trade turnover exceeded \$1.07 trillion, with the GDP totaling \$1.1 trillion at the current exchange rate (World Bank).

¹³ World Bank Development Indicators. URL: <http://www.databank.worldbank.org/data/views/reports/tableview.aspx#>

¹⁴ South Korea manufacturing growth rate (rus). URL: <http://www.ereport.ru/stat.php?razdel=country&count=repkorea&table=ipecia&time=1>

¹⁵ South Korea // IndexMundi. URL: http://www.indexmundi.com/south_korea/age_structure.html

¹⁶ North Korea // CIA World Factbook. URL: <https://www.cia.gov/library/publications/the-world-factbook/geos/kn.html>

*Russia's Interests in the Republic of Korea
in the Regional Security Context*

The key challenge to regional security lies is in the military standoff between the DPRK and the Republic of Korea. This problem has been exacerbated most of all over the last decade due to the nuclear stalemate in the Korean Peninsula. Additionally, the security interests of the global leaders, i.e. Russia, the USA, China and Japan, intersect in Northeast Asia. According to the 1953 Mutual Defense Treaty between the USA and South Korea, the Republic of Korea is in a military alliance with the United States. As per Article III of the MDT, each party agrees that a military attack in the Pacific region against any of the parties would present a threat to its own security, and states that it will “take action to repel the common threat following its constitutional procedures”, while Article IV entitles the USA to place its land-based, naval and air forces in the Republic of Korea, as defined by mutual agreements.¹⁷

Currently, South Korea accommodates nearly 30,000 U.S. service members of the South Korea/U.S. Combined Forces Command (CFC), which is led by the U.S. general James Thurman, who, in the event of a military conflict in the Korean Peninsula, would also take command of the ROK Armed Forces.

While Seoul needs the U.S. military presence in Korea to protect South Korean economic well-being from Pyongyang’s aggression, Washington on the other hand regards it as just another component of the global “American leadership”.

The ROK boasts its own sizable military might. As for its strength, the armed forces were ranked in the top 10 of the world until recently.¹⁸

Yet the objective does not consist solely in interacting with ROK in establishing a **checks-and-balances system** of multilateral security in Northeast Asia. The country is valuable for Russia also as a trade and R&D partner, primarily in the economic development of Eastern Siberia and the Far East of Russia.

South Korea's Interests in Russia

The Republic of Korea’s leadership has repeatedly emphasized its interest in developing a Strategic Cooperative Partnership with

¹⁷ Mutual Defense Treaty Between the United States and the Republic of Korea. October 1, 1953. URL: https://www.avalon.law.yale.edu/20th_century/kor001.asp

¹⁸ International Institute for Strategic Studies, The Military Balance // The World Bank. URL: http://www.data.worldbank.org/indicator/MS.MIL.TOTL.P1?order=wbapi_data_value_2011+wbapi_data_value+wbapi_data_value-last&sort=desc

Russia.¹⁹ In this regard, it is worth noting that the present development of the Russia—ROK relationship does not correspond with these high expectations. However, the South Korean leadership is guided by established ideas in Seoul about **Russia having moved to the “second league”** in international politics, while considering the principal global players to be the U.S., which retains its economic and military preponderance over other countries, and China, which is consistently becoming a new global power.²⁰ Conversely, contemporary Russia, unlike the Soviet Union, is viewed by South Koreans as a regional state with limited influence on the course of global affairs.

South Korea’s interest in Russia has a political and economic basis. As for **politics**, Seoul gives primary importance to cooperation with Russia in ensuring stability and security in Northeast Asia. Firstly, the objective is to deprive Pyongyang of any support from Moscow. Secondly, Russia is needed by South Korea in the region as a sort of a counterbalance to China and Japan. No interaction though, let alone partnership, has been observed in the approaches to key international issues in other regions. Seoul is distancing itself from Moscow in that respect gradually but plainly, following the U.S. line during discussions in the UN and at other international forums.

Economically, Russia is highly attractive for South Korea, which is nearly void of mineral and other natural resources, and thus willing to participate in the development thereof in Siberia and Russia’s Far East. Alongside with that, Russia is a promising market for South Korean industrial products.

The South Koreans are willing to cooperate with Russia where Russian technologies still retain high international standards, particularly in space and nuclear energy. Evidence to that is the *Roscosmos* contract signed on the construction of the Naro Space Center of the Republic of Korea; the joint flight of Russian and South Korean astronauts on the Russian spacecraft (Soyuz TMA-12) in April 2008; the launch of the Russia—ROK carrier vehicle (KSLV-1) in January 2013; and South Korean import of Russian nuclear plant fuel, helicopters and certain weaponry and combat systems.

¹⁹ ROK 2012 Diplomatic White Paper // Ministry of Foreign Affairs and Trade. 14.05.2013.

²⁰ Ibid.

Russia—South Korea Trade and Economic Cooperation

A wide legal framework has been created at present for Russia—South Korea cooperation. The two countries have signed agreements on trade, investment protection, fisheries, double-taxation, military equipment supplies, nuclear energy uses for civil purposes, cultural exchange, prevention of illicit, unreported and unregulated fisheries and other areas. There is the intergovernmental Russia—ROK Commission on Economic, Scientific and Technical Cooperation (CESTC) with ten industry-related committees and sub-commissions.

The data on Russia—ROK **trade and economic cooperation** looks fairly positive at first glance. Trade turnover surged in 1992–2012 by 130 times from \$190 m to \$22.5 bn. Exports from Russia amounted to \$11.4 bn against imports from South Korea worth \$11.1 bn.²¹ As of the end of 2012, the Republic of Korea ranked third among East Asia countries in the trade turnover with Russia after China and Japan.²²

However, South Korea's share (2.97%) of external trade with Russia and, inversely, Russia's share (2.1%) accordingly are fairly insignificant. The scale of both countries' economic ties cannot compete with the exchange of goods, services and knowledge between South Korea and China (\$215.1 bn in trade turnover), Japan (\$103.2 billion) and the United States (\$101.9 bn).²³ In effect, bilateral trade boils down to the exchange of fuel, raw materials and seafood from Russia for finished industrial products from South Korea. Industrial cooperation is close to zero. South Korean banks and other financial institutions are hardly visible on the Russian stock market, while Russian business capital has a purely nominal presence in the Republic of Korea and the entire Northeast Asia.

On the Russian side, trade and economic cooperation with South Korea is being practiced by leading industrial companies or such major private firms as *Rusal* and *Mechel*. Mid-size Russian businessmen, let alone smaller ones, encounter two obstacles: language and law. It is hard to find Korean speakers or Korean law professionals, while it is almost impossible to work in South Korea without the knowledge of Korean and local legislation.

Investment also is insignificant. Current investment from South Korea into Russia is about \$1.9 bn of the \$208 bn in total abroad versus \$148.8 m from Russia into South Korea versus \$210 bn in total from abroad.²⁴

²¹ Data retrieved from Korea Customs Service and Russia Ministry of Economic Development.

²² Federal Customs Service. Foreign trade of the Russian Federation with key countries, Jan.-Dec. 2012. URL: http://www.customs.ru/attachments/article/17091/WEB_UTSA_09.xls

²³ Korea Customs Service.

²⁴ Ibid.

In this respect, the majority of industrial companies with South Korean participation, from *Kia* car assemblies to *Doshirak* noodles, operate in Central Russia. It is important for Russia though that investment goes primarily to the Far East for further regional development.

South Korean investment into the Russian manufacturing industry flows is sweeping into production South Korean goods for the Russian market. On the other side, ROK's investment into the manufacture of Russian goods for sale on the ROK market and export to third-party countries is minimal in the Far East.

Important prospective industries for investment are petrochemicals, timber processing, pulp and paper, and fish and seafood processing. Joint ventures should be set up in these areas, with South Korean capital enjoying certain benefits.

South Korea welcomed Russia's **initiatives on improved trans-Eurasian transport routes** by upgrading the Trans-Siberian Railway (TSR) and Baikal-Amur railways and Pacific ports, as well as developing new sea lanes, including the Northern Sea Route as an additional route to the overloaded traditional ways via the Suez and Panama canals. However, South Korea is quite passive about the rehabilitation of the Trans-Korean railroad and its connection with the TSR, referring to inter-Korean relations as the main obstacle. Further talks may build on the pioneering positive record on completion of the Khasan-Rajin railway section upgrade.²⁵

A particular role in the Russia—South Korea economic relations is played by the **energy dialogue** designed to identify joint efforts in the energy sector and strengthen respective regional cooperation in Northeast Asia. Over recent years, South Korean companies have won contracts worth billions of U.S. dollars to manufacture equipment and machinery for Russian energy projects, as well as modern oil and LNG tankers. In many ways, South Korea is targeted by such energy projects as the Eastern Siberia – Pacific Ocean oil pipeline (ESPO), Sakhalin-2, and LNG supplies from Sakhalin. *Gazprom* and *Kogaz* state corporations signed a memorandum of understanding and cooperation for laying a gas pipeline to the Korean Peninsula, according to the respective intergovernmental cooperative agreement in the gas industry.

This list may be complete with the LNG plant construction near Vladivostok and the Asian Super Ring. Yet as of May 2013, Korean investors did not consider in earnest the investment opportunity of the LNG plant in lieu of *Gazprom*'s official proposal.²⁶ The Asian Su-

²⁵ Infrastructural Projects // Russian Railways. URL: http://www.inter.rzd.ru/static/public/ru?STRUCTURE_ID=5016&layer_id=3290&id=1373

²⁶ Korean investors have not heard of *Gazprom*'s proposal on Vladivostok LNG project // PrimaMedia. 17.05.2013. URL: <http://www.primamedia.ru/news/asia/17.05.2013/276640/koreyskie-investori-neshliali-o-predlozhenii-gazproma-po-proektu.html>

per Ring, designed for power system integration in Russia, China, Mongolia, South Korea and Japan, with key donors expected to be the Siberian and Far East power plants and Russia as the main junction for daily power transfers between countries, was proposed as far back as 1998, but not implemented so far.

The above list should also include the 8000 MW tidal power plant project in the Tugur Bay, the Sea of Okhotsk.²⁷ This project, a brand-new environmental power plant using renewable tidal energy as fuel, would be a breakthrough in the global energy sector. The South Koreans may be interested in the project, because to an extent, they are trailblazers in tidal power plant construction. In 2011, South Korea commissioned the 254 MW Sikhvin TPP which can supply 100% of the power required for a half-million city and was presented as an achievement of President Lee Myung-bak's energy policy.²⁸ Given the installed capacity of the Tugur TPP, if built this may become an important landmark in the bilateral relations.

Russia—South Korea cooperation in the area of peaceful use of nuclear energy also offers potential. In 2011, nuclear power plants accounted for 31.9% of South Korea's total power generation.²⁹ In addition to the 23 nuclear reactors currently in operation, another 17 are to be built by 2030, with nuclear energy reaching 59% of the total power consumed.³⁰ Russia—South Korea cooperation in nuclear energy would secure more benefits for both countries and depart from unnecessary competition. It would also be helpful, for instance, to recommend to *Rosatom* to explore opportunities available in NPP design cooperation for other countries, together with *Doosan Heavy Industries*, which is also building NPPs abroad.

Since South Korea rejected voluntarily uranium enrichment, fuel for its NPP is being imported in approximately equal shares from the USA, France and Russia. In 2006–2007, South Korea initiated negotiations with Russia on drafting a long-term agreement on Russian nuclear fuel supplies, including potential ROK participation in the International Uranium Enrichment Center in Angarsk. However, talks died out after Lee Myung-bak's arrival into office in 2008. Because ROK requirements in nuclear fuel will continue to grow in the future, it would be appropriate to revisit ROK's potential participation in the above-mentioned Center at a Russia—South Korea meeting with the new leadership at a summit or other high level.

²⁷ Tugur TPP // NIIES Institute -RusHydro. URL: http://www.niies.rushydro.ru/works_services/small_alternative_energy/tidalpps_/tugur

²⁸ South Korea commissioned the largest tidal PP in the world // AEnergy.ru. URL: <http://www.aenergy.ru/3520>

²⁹ Trade Volume/Settlement // Korea Power Exchange. URL: <http://www.kpx.or.kr/english>

³⁰ Nuclear Power in Korea. Information Papers. World Nuclear Association (WNA), Facts about Korea, Seoul 2011.

Cooperation with South Korea is also possible in the agricultural sector. The respective 2012 memorandum of cooperation between the relevant ministries of both countries provides, in particular, for data sharing on domestic and foreign policy in agriculture and farming land development; professional exchange and expertise; and joint projects in the Far East Federal District.³¹ To move from statements to practical steps, it may be appropriate to discuss and sign a specific action plan to implement the above memorandum.

Potential South Korean investors into Russia, primarily major companies, are concerned with the contractual discipline of their Russian partners; excessive administrative interference; unstable legislation; and the voluntary interpretation of legal and administrative acts. A highly adverse effect was produced in South Korea, for example, by the protracted implementation of the agreement on South Korean companies' participation in developing hydrocarbon offshore deposits in western Kamchatka.³²

As for **the Far East and the Baikal region**, South Korean partners require major public investment in Russia in developing relevant infrastructure; political support for the respective projects; simplified administrative procedures, including customs clearance and immigration control; protection from criminal and corruptive schemes; improved insurance and arbitration and other. The above points must be taken into account for the future involvement of South Korean partners in the economic development in Eastern Russia.

Fostering Russia's Positive Image in the Republic of Korea

Russia's image in South Korea was significantly affected first by the many years of Japanese occupation and then by the Cold War when our country and the Republic of Korea were members of opposite camps in the global arena. The current perceptions held by the majority of South Koreans about Russia are rather superficial and general, based primarily on **ideological clichés** created to an extent by such media sources as *CNN* and *BBC*. Russia is depicted in the South Korean mass media as a country rich in natural resources, mostly oil and gas, but unable to use these efficiently and thus in need of foreign consultation. Publications on Russia's domestic and foreign policy also contain mostly negative information that almost completely neglects Russia's achievements.

³¹ Memorandum of cooperation in agriculture signed in Kazan between the respective ministries of the Russian Federation and the Republic of Korea // Ministry of Agriculture of the Russian Federation. 30.05.2012. URL: <http://www.mcx.ru/news/news/show/5520.178.htm>

³² Korea's tradeoff // RBC Daily. 23.09.2008. URL: <http://www.rbcdaily.ru/tek/562949979007534>

To overcome these obstacles and develop a positive image Russia in the mind of the South Korean public long-term consistent efforts focused primarily on **youth** are required. This work should include various large-scale events, for instance, Russian cultural festivals in the Republic of Korea, joint TV programs and projects with leading South Korean publications (modeled after *Russia Beyond the Headlines*), intensified activity of the *Rossotrudnichestvo* Federal Agency in Seoul, as well as working groups with Russian public, academic and business communities who could organize “second track” events together with their peers in both Korean states. Russia’s weakness in projecting its soft power results in many ways from the lack of popular culture visibility.

Given the financial weakness of Russian cultural organizations and groups, the government should sponsor various Russian festivals in the ROK. All respective previous initiatives, in effect, have sizzled out in one or two years, because the Russian partners of South Korean organizers have been unable to provide adequate funding of reciprocal events in Russia.

There are serious disagreements between Russian and ROK researchers about the key points in their common history in the 20st century. Common studies and discussions are at stake. Russian academicians have to conduct such studies with rare exceptions at the expense of their South Korean partners, which cannot but influence the course of the dialogue. In this regard, it looks reasonable for the Russian side to hold the events domestically in order to shape the agenda and streamline discourse as appropriate for Russia.

Inter-Korean Settlement and Russia’s Role

The Korean states are in a state of war de-jure, because the Korean War Armistice Agreement of July 27, 1953 is no more than a mere agreement between the two armed forces’ commanders on a suspension of warfare.

The military standoff in the Korean Peninsula, with its periodic exacerbations, cannot help Russia’s permanent interests. The DPRK holds nuclear tests and missile launches just 150 to 300 km from the Russian national border. Any political crisis scenario on the Korean Peninsula that is followed by an armed conflict would entail serious damage to the communities and the economy of Russia’s Far East, primarily the Pacific Region. The real threats include potential disruption of shipping in the Sea of Japan and international and domestic air traffic, as well offshore radioactive or possibly chemical and biological contamination; provocative aircraft and missile strikes

on Russia's territory; and finally, massive flow of refugees from the DPRK across land and sea borders to the Khasan District of the Pacific Region, which would require sizable federal and regional resources to tackle.

A parallel is drawn often between Korea and Germany as the two states that were split after WW2. The 1990 German reunification then engendered hopes also for a Korean reunification shortly thereafter. Yet the German situation differed significantly from that currently underway in Korea. East Germans had never been at war with the West, while the 1950–1953 Korean War began in effect as a civil war, but as it progressed external forces were also involved. The memory of the hundreds of thousands of war victims is still vivid. The war led to a clear geographic division of the Korean society, with the left-minded having fled to the North and the right-minded to the South.

The ROK law on national security, passed even before the Korean War and defining the DPRK as “a territory controlled by an anti-state organization”, is still in effect. Accordingly, unauthorized contacts between ROK citizens travelling to the North and DPRK individuals, public sympathy for Pyongyang, as well as information praising the DPRK social system, Juche ideas or communist ideology, are all regarded as crimes. If some of these points were exempt, it would help reduce inter-Korean tensions and restore the bilateral dialogue.

The future course of events on the Korean Peninsula will determine in many ways that of the entire Asia-Pacific Region as well as international politics. Russia, given the present balance of forces, would be interested in the emergence of a united, independent, neutral and nuclear-free state at its eastern borders.

It should be recognized though that currently such a reunification of Korea is not seen as realistic neither by the Korean states, nor by the United States or Japan. The ROK regards reunification solely as a takeover of the North by the South. This was the focus of Lee Myung-bak's confrontational line and the Roh Moo-hyun's and Kim Dae-jung's “sunlight warmth” policy. The new ROK President Park Geun-hye noted in her inaugural speech, alongside with her promises to lay the basis for an era of harmonious unification, that she would tolerate no action threatening South Korean individuals; she also called the North Korean regime the main threat to ROK.³³ A “loser” status is unacceptable to the North Koreans: given the fact that the Korean society is traditionally very hierarchical, DPRK

³³ The 18th Presidential Inaugural Address. 25.02.2013 // URL: http://www.english.president.go.kr/pre_activity/speeches/speeches_view2.php?uno=7783&board_no=E12&search_key=&search_value=&search_cate_code=&cur_page_no=1

individuals would inevitably find themselves treated as “second rate” citizens. South Koreans are rather afraid of the “price of the issue” as well: even with a relatively peaceful reunification, the costs of an economic upturn in the North would strip the united Korea of its global competitiveness.

As for the United States, the current unsettled status in the Korean Peninsula allows Washington to play the “North Korean card” as an occasion for maintaining building up its military and political presence in the Northeast Asia. The Korean Peninsula is the unique continental component in the U.S. military presence in East Asia. Apart from this, South Korea, as a U.S. ally in the Asia-Pacific region, is adding to U.S. military power to a much greater extent than Japan is.

China regards the balance of forces on the Korean Peninsula, first of all, through the lens of its confrontation with the United States. The U.S.-declared pivot to Asia, the strengthening of U.S. military presence there and the renewal of the U.S.—Japan—South Korea military partnership is perceived naturally in Beijing as a plan to entrap China and contain its rise. In this context, keeping the DPRK afloat is of strategic value for China.

Japan rather is afraid of the rise of a 75-million united Korea, as it has quite many political and economic disagreements presently also with the Republic of Korea.

This is why the pending agenda for the ROK, the USA and Japan is not the Korean issue resolution per se, but in a narrower sense – the nuclear issue of the Korean Peninsula. Its settlement, as viewed by Washington, Seoul and Tokyo, implies primarily complete and final nuclear disarmament of the DPRK.

Russia can hardly take the initiative with regard to inter-Korean relations. The leaders of the DPRK and the ROK are highly inclined to nationalism. Both Pyongyang and Seoul have hinted repeatedly they would sort out the conflict between themselves without external interference. However, certain proposals, for instance an inter-Korean summit held in Russia, should be voiced on a regular basis and kept in mind. It should be remembered though that given the ongoing shift of global governance models as well as in the interests of the global powers, primarily the USA and China, in the key region of Northeast Asia, relations on the Korean peninsula can no longer be looked upon as a purely internal issue, especially in view of the WMD aspect of the issue. This is why it is most relevant for Russia to draft an agenda for a multilateral security system in Northeast Asia. Furthermore, the new ROK administration has proclaimed a Cooperative Security Initiative for Northeast Asia which calls for developing and strengthening the multilateral security institutions in

the region. The Russian party could offer support for the initiative by positioning itself as a regional stakeholder.

The nuclear problem of the Korean Peninsula results directly from the multi-year confrontation, and it cannot be settled without inter-Korean normalization. Two issues should be tackled in parallel, i.e. freezing and dismantling the DPRK's military nuclear program with an IAEA-guaranteed country's return to the Nuclear Non-Proliferation Treaty, relaxing political tensions in the Korean Peninsula, and developing DPRK's relations with South Korea and other countries in the region.

Russia, the two Korean states, the U.S., China and Japan have been negotiating the nuclear problem settlement in the Korean Peninsula since 2003. On the one hand, peninsular denuclearization would set a critical precedent for similar disagreements elsewhere in the world and contribute heavily to the strengthening of the nuclear non-proliferation regime. On the other hand, the six-party talks offer a very important example in the current global context of a search for a collective solution of a pressing international problem.

The nuclear problem settlement in the Korean Peninsula should be based on security guarantees given to the DPRK and, of course, to the Republic of Korea, Japan and all countries in the region. Such guarantees should be robust and powerful, possibly in the form of bilateral agreements. It is very important to avoid any actions that might exacerbate current tensions around Korea.

Russia supports invariably the rapprochement of Seoul and Pyongyang and stands for both Korean states' progress in their independent peaceful reunification. Using both the six-party negotiations and the entire Asia-Pacific region format, Russia can speak from its own independent positions to ensure its role as a crucial element of the checks-and-balances system in Northeast Asia.

This is true also for Russia's approaches to the DPRK. In the late 1980s and early 1990s, Moscow—Pyongyang relations began to decline. Yet President Putin's visit to the DPRK in 2000 and the signing of the Russia—DPRK Agreement on Friendship, Good Neighborliness and Cooperation paved the way to reinstating in full the Russia—North Korea dialogue. Despite all the complexity of relations with the DPRK, it is important to abide by these constructive developments.

The DPRK would like to promote its relations with Russia as a departure from its excessive dependence on China and to secure a wider group of partners. Pyongyang is willing to develop trade and restore technical cooperation. A section of the Khasan-Rajin project has been upgraded to become the first phase of the Trans-Korea

railway reconstruction. It is appropriate to begin upgrading industrial enterprises built in North Korea and assisted by the Soviet Union, as well as complete the construction of the East-Pyongyang thermal power plant in particular. However, it should be kept in mind that this will require maintaining Russia's overall industrial capacity.

North Korea's debt to Russia has been repaid through restructuring and writing-off the bulk of it. Yet bilateral cooperation needs new investment and new forms of finance, including public-private partnerships, which are unavailable for now largely because of certain inertia within the relevant Russian government agencies in charge of foreign trade.

The DPRK's exit from isolation, its socio-economic upturn and transformation into a full international dialogue player would benefit Russia and facilitate its positions on the Korean agenda and the entire political arena in the Asia-Pacific region.

As for North Korea, the personal aspect plays an important role. No international cooperation issue can be considered in this country without the direct involvement of the Supreme Leader. The personal opinion of the deceased Kim Il Sung determined the signing of the new Russia—North Korea agreement and the repayment of North Korea's debt. His son, Kim Jong-un, succeeded him to the principal post in Pyongyang. It would be helpful to launch a targeted dialogue with him, delegate a high-level Russian envoy for talks in Pyongyang and invite the young DPRK's leader for an official visit to Russia. Involving the young DPRK's leader in international discussions would allow among other things to play down the North Korean conservative elite's influence on him.

Russia is in a position to contribute economically to inter-Korean normalization. An important role in this could be played, no doubt, by the implementing the major trilateral partnership projects between Russia and North and South Korea, including the Europe—Korea railway, the Russia—DPRK—ROK gas pipeline and the Northeast Asia unified power supply system to cover Eastern Siberia and Russia's Far East (similar to the *NEAREST* project).

Along with the unconditional censure of missile launches and nuclear tests in the DPRK, it is relevant to do everything possible to resume the six-party process based on the agreements achieved so far, while allowing for the all parties' legitimate interests and concerns.

It would be a matter of principle if all parties confirmed their commitment to the six-party agreement of September 19, 2005 as the starting point for both the settlement of the nuclear problem on the Korean Peninsula and the entire inter-Korean conflict.

The inter-Korean dialogue could be resumed as follows:

- the DPRK rejects nuclear weapons and all existing nuclear programs and soon rejoins the Nuclear Non-Proliferation Treaty and the IAEA;
- the USA states that it does not have nuclear weapons on the Korean Peninsula, does not intend to attack the DPRK, nor invade it using nuclear or conventional arms;
- the USA and the DPRK state their common willingness to officially respect their mutual sovereignty, coexist in peace and take steps to normalize their bilateral relations;
- the six negotiating parties make their commitment to facilitate lasting peace and stability in Northeastern Asia;
- the negotiating parties agree to draft a trade-off formula opening up for the DPRK the opportunity to participate in peaceful nuclear programs in the future, including light-water reactor designs;
- the negotiating parties accept the consensus principle in implementing the agreements achieved, i.e. “commitments and actions reciprocally”.

Keeping the line open to six-party talks’ resumption is important for Russia also because Moscow’s role in the Korean settlement may shrink sharply without these negotiations, and not all the regional players’ interests would be met. In this regard, it is important to maintain an ongoing dialogue with Pyongyang. We should not forget that it was the DPRK that was successful in including Russia into the six-party negotiators’ club.

Self reservation and common sense should be demonstrated in implementing the UN Security Council’s resolutions on the Korean Peninsula as well as calling upon partners in the West and the East to go for that approach. The broad interpretation of the sanctions defined by the respective resolutions should not be allowed. The full de-facto international isolation of Pyongyang would damage the current situation. Certain forces’ hopes for a near collapse of North Korea’s state administration are hardly reasonable, because it has proved its endurance repeatedly. The DPRK, feeling relatively safe and confident, is a much more reliable partner for negotiations on any issue rather than a country cornered by sanctions.

A peace treaty or any other document, e.g. a charter or a declaration, which might replace the 1953 Armistice Agreement sooner or later, should not be just a non-aggression pact between the Korean War participating parties, but a much larger partnership document that could turn the DPRK from a rogue state into a full international

dialogue participant receiving aid from international financial institutions and other bodies.

As for the peace treaty parties, these should be the two Korean states. The United States, China, Russia and Japan, in turn, could become the treaty implementation guarantors. Similar proposals are also being discussed in South Korea.

It might be suggested on the way to such a treaty that the UN Security Council should adopt a resolution that states the war as history; the UN SC could turn over this page of history and dissolve the UN military command in South Korea. This would resolve the overtly contradictory situation, with the UN being in a state of war with one of its members. On the other hand, the South Korea—U.S. military grouping set up under the respective intergovernmental agreements could remain in South Korea.

Russia's Basic Foreign Policy Regarding the ROK

The following provisions should be taken into account in a short- and long-term perspective with respect to the Republic of Korea.

Firstly, despite the different approaches to certain international issues contingent on the Seoul—Washington alliance, Russia—South Korea relations have no controversial points, and the future probability of more arising is low. The Republic of Korea has no anti-Russian political parties or organizations. With regard to Russia, the country has a national consensus to the benefit of strategic partnership, and these developments offer unique opportunities for Russia.

Secondly, the Republic of Korea included the provision on strategic partnership, apart from Russia, in the joint documents with the People's Republic of China. This adds, no doubt, to the ROK's independent weight in regional and global affairs and opens up new opportunities for the trilateral Russia—China—South Korea negotiating format.

Thirdly, Russia and the Republic of Korea have different traditional allies, to a large extent, for international networking. Traditionally, Russia has not sought any privilege in South Korea and is not going to rival anyone for influence in this country. Moscow does not regard relations with the Republic of Korea through the lens of its ties with third parties. The partnership with South Korea is seen as sort of a cell of the multipolar community where the states, notwithstanding all the existing differences between them, build a more democratic, fair and, therefore, safer world order, jointly based on equality and mutual respect of their interests.

Fourthly, it is reasonable to look for an economic partnership in Northeast Asia, involving potentially, apart from Russia and the two Korean states, China, Japan and Mongolia. In the framework of such a partnership looking as an optimal model for Russia's connection to the integration process in the Asia-Pacific region, Russia would become an energy base for regional integration and an intermediary between Northeast Asia and the EU. The potential agenda for such partnership could include energy security, sustainable development, environment protection, and a move to a uniform customs space.

II. NEW AGENDA FOR ECONOMIC, SCIENTIFIC AND TECHNOLOGICAL COOPERATION

Svetlana Suslina Traditional and New Areas of Bilateral Trade

Over the last 20-plus years, Russia—South Korea ties have developed dramatically, expanding to cover almost all significant areas. Relations with South Korea are one of Russia's foreign policy priorities in the Asia-Pacific region.

Overview of Bilateral Trade Relations

In 2012, Russia—South Korea trade turnover accounted for 3.1% of the total volume of Russia's foreign trade, and 2.3% of the foreign trade of South Korea. The scale of these figures indicates that the potential of bilateral cooperation is far from fully exhausted. This supposition is also supported by the table below, which compares the volumes of bilateral turnovers of South Korea with other countries in the world, including Russia, which ranks just 12th among South Korea's foreign trade partners.

Table 1

South Korea's main trading partners 2011–2012 (USD, thousand)

Country	2011			2012		
	Export	Import	Turnover	Export	Import	Turnover
China	134 185 008	86 432 237	220 617 245	134 322 564	80 784 595	215 107 159
Japan	39 679 706	68 320 170	107 999 876	38 796 056	64 363 079	103 159 135
USA	56 207 702	44 569 029	100 776 731	58 524 558	43 340 961	101 865 519
Saudi Arabia	6 964 298	36 972 611	43 936 909	9 112 041	39 707 050	48 819 091
Hong Kong	30 968 404	2 315 073	33 283 477	32 606 188	2 058 418	34 664 606
Singapore	20 839 004	8 966 683	29 805 687	22 887 919	9 676 407	32 564 326
Australia	8 163 845	26 316 304	34 480 149	9 250 484	2 298 7916	32 238 400
Indonesia	13 564 497	17 216 373	30 780 870	13 955 029	15 676 272	29 631 301
Taiwan	18 205 965	14 693 589	32 899 554	14 814 856	14 011 959	28 826 815

Source: South Korea's Customs Service³⁴

³⁴ Import/export By Country. 2013 // Korea Customs service [Official Site]. URL: <http://www.customs.go.kr/kcshome/trade/TradeCountryList.do>

It should be noted that in 2011, Russia ranked 13th out of all South Korea's foreign trade partners, coming 11th in exports and 13th in imports.

Russia—South Korea trade development is displaying clear positive trends, particularly after the first 10 years of the 2000s.³⁵ For instance, during the period 2002 to 2011, turnover increased 11.5-fold, with exports rising 10.5-fold and imports – 12.5-fold.

Table 2

**Turnover between Russia and South Korea 2006–2012
(USD, billion)**

	2006	2007	2008	2009	2010	2011	2012
Turnover	9.3	15.0	18.3	10.6	17.7	25.0	24.9
% increase	145.3	161.3	122.0	57.4	168.0	140.9	99.6
Export	2.5	6.2	7.8	5.7	10.4	13.4	13.9
% increase	115.9	225.5	126.3	73.0	184.0	128.2	103.7
Import	6.8	8.8	10.5	4.9	7.3	11.6	11.0
% increase	169.3	130.3	119.0	45.9	149.4	159.1	94.8
Balance	-4.3	-2.6	-2.7	-0.8	3.1	1.8	2.9

Source: Based on data from the Russian Federation's Federal Customs Service³⁶

Long term predictions suggest that the volumes of Russian exports to South Korea will increase due to potential large-scale supplies of energy products (natural gas and coal), electrical power, as well as transit services to South Korea's foreign trade cargoes if the plan to connect the Trans-Korean and Trans-Siberian Railways is implemented.

³⁵ The general trend is distorted by the decline in bilateral trade caused by the 2009 global financial crisis and its repercussions in 2012.

³⁶ Archive // Federal Customs Service of the Russian Federation. URL: http://www.customs.ru/index.php?option=com_newsfts&view=category&id=125&Itemid=1976

Table 3

Structure of Russia—South Korea bilateral trade

Main commodities in Russian exports to South Korea	Main commodities in Russian imports from South Korea
Mineral fuel, oil and oil products (share in Russian exports – 79.2%)	Machinery, equipment and motor vehicles (share in imports – 77.3%)
Metals and metalware (share in Russian exports – 8.9%)	Chemical products (share – 10.9%)
Food products and agrisupplies – (share in Russian exports – 7.2%)	Metals and metalware (share – 5.2%)
Timber, pulp and paper products (share in Russian exports – 1.8%)	Textile products, footwear (share – 1.62%).
Machinery, equipment and motor vehicles (share in the Russian exports – 1.4%).	

Source: Business Mission of Russia's Regions to South Korea³⁷

Russia—South Korea cooperation in investment over 2011–2012 included the following major projects and programs, which are at different stages of preparation or implementation:

- Trans-Korean and Trans-Siberian Railway connection project;
- Increased supply of gas to South Korea on the basis of the Inter-governmental Agreement on Cooperation in the Gas Sector;
- Supplies of electric power from the Russian Far East to South Korea through North Korean territory within the framework of the NEAREST program implementation (Inter RAO UES and Korea Electric Power Corporation);
- Research and technological cooperation in the area of high technologies (joint design in South Korea of a space launch vehicle to put satellites in orbit); joint projects in nanotechnologies, disposal of nuclear waste, developing new types of nuclear fuel and liquid metal reactants);
- Infrastructure and energy projects to prepare Vladivostok and Russky island for APEC 2012 and Sochi for the 2014 Winter Olympics;
- Projects to modernize economic and social development in the Far East and Siberia.

The growing cooperation between the financial institutions in Russia and South Korea should be considered one of new positive

³⁷ Global Markets Access Information (rus) // Kaluga Region Exports Development Center. URL: http://www.export40.ru/export/accesstoworld/index.php?sphrase_id=85

elements in bilateral trade and economic relations between the two countries. During the official visit by South Korea's President Lee Myung-bak in September 2010, the Memorandum of Understanding on financial cooperation and control was signed between VTB Bank and the Export-Import Bank of Korea.³⁸ This Memorandum facilitated the implementation of the framework loan agreement for \$0.5 bn with a 5-year grace period.³⁹

Interregional and cross-border cooperation between Russia and South Korea is also an integral part of bilateral relations and a significant factor that provides an impetus for the social and economic development of border areas in each country. Russia would like to see South Korea participate in projects in the Far East that include major interregional projects that aim to address infrastructure limitations and promote processing and high-tech enterprises; increase the regional economy's integration into that of the fast-growing Asia-Pacific Region and tap into its experience; and also to ensure regional safety and security.

As international experience has shown, a narrow basis for bilateral cooperation can be expanded through increased mutual investment and the establishment of integrated production links. In order to achieve this Russia needs to reexamine certain aspects of the legislative framework for foreign investors with a view to liberalizing it, improve its attractiveness and guarantee stability. At present, South Korean investors who want to invest in Russia are put off by insufficient legal stability, accompanied by the adoption of a growing number of laws that make it increasingly difficult for foreign investors. In particular, the adoption of new rules for foreign investors in the auto-making industry is such an example.⁴⁰ The South Korean business community has also noted that the main obstacles to investing in Russia are: corruption, administrative barriers, high taxes, high payroll costs, weak industrial infrastructure *etc.* This is a view shared by experts from the World Bank who prepare the country-by-country rating based on how easy it is for foreign investors to open and run a business: Russia ranked 112th in that list in 2012.⁴¹

³⁸ VTB and Export-Import Bank of Korea Sign Framework Agreement on Loans (rus) // Bank-City.ru. URL: http://www.bank-city.ru/fin_news/61634-bank-vtb-i-yeksportno-importnyj-bank-respubliki.html

³⁹ Ibid.

⁴⁰ According to RBC (RBC Magazine #4, 2011. p. 34) the problem is due to the new rules that have been introduced in the automotive market. Now, in order to use preferential import tariffs on vehicle components and import finished products duty-free, it is necessary to increase the auto-making capacity to 300,000 cars a year, build a plant for replacement parts and presswork, and also equip one third of locally assembled cars with domestic engines or transmission gears. In other words it means that the local content must be increased to 60%.

⁴¹ Economy Ratings // Doing Business. URL: <http://www.doingbusiness.org/rankings>

*South Korea's Economic Development Prospects
and the Impact on Russia*

Despite the broadly positive assessments of the previous in-country economic development, one of the main tasks facing the South Korean Government in the near term is to prepare for a potential new wave of the global financial crisis that could, to varying degrees, have an impact on virtually all areas of the country's economic life. Due to its deep dependence on the global economy, South Korea is worried by the instability in the economies of countries that are its main trading partners, i.e. the United States and EU among others. Trade flow to these regions is decreasing and as a result there is already a visible downward pressure on industrial output in South Korea. In addition to South Korean manufacturers' lower competitiveness against the stronger foreign economic positions of China and a number of developing countries, the protracted crisis in European partner countries, South Korea's economic development in 2013 will be affected by a number of other factors. They include: the fact that negative trends caused by the new wave of the global financial crisis will strengthen; that foreign economic activity will shrink against a backdrop of minimal growth in domestic consumption; that industrial growth rates will slow in part due to growing domestic economic instability resulting from tensions in the North—South-Korean relations; that the unemployment will grow (but not at such high rates as in other countries); that high international oil prices will have a negative impact on the country's economy, which is almost fully dependent on foreign supplies of energy products.

Current domestic and external economic factors are pushing the country to reconsider its economic strategy. South Korea's economic development this year will also depend greatly on the implementation of Government-developed to overcome existing negative trends.

The new South Korean President Park Geun-hye has formulated an economic policy that prioritizes issues related to the country's social and economic development. It is worth noting that South Korea currently ranks the last in the OECD social spending-to-GDP index. In 2009–2010 social expenditures amounted to 9.4% of South Korea's GDP while in France the ratio was 32%, in Denmark – 30%, and the OECD average statistical index was 22%.⁴²

This is the first time in South Korea's post-war development history that the President is attaching so much importance to social issues and the problems faced by the average citizen – seeking to

⁴² KBS WORLD. 26.12.2012.

address public concern by promising social guaranties and wellbeing for everyone. In her Inauguration speech, as a daughter of the late “architect” of the South Korean economic miracle Gen. Park Chung-hee, called on her compatriots “to make a second miracle on the Han River by the revival and democratization of the economy”. The Head of State stressed the need to revamp how the economy is structured given the slowing growth in foreign and domestic trade. In defining her political course, she stated that her Government intends to become a mediator in South Korean society and will follow a principle of “creative coexistence” in its policies, pursuing simultaneously and equally the goals of: achieving public prosperity and dynamic development of the domestic market without letting issues of public trust fall from view. At present, the most acute issues facing the South Korean Government are how to expand and maintain South Korea’s influence in the global economic arena; to find new competitive advantages and develop a new type of economy – a creative economy, while also addressing issues related to employment, and reduce unemployment *etc.*⁴³ Scientific and technological developments in a variety of areas constitute the basis of a creative economy. At present South Korea ranks among top ten countries in terms of the highest rate of spending on R&D in relation to GDP. According to U.S. news agency Bloomberg, in 2012, South Korea was rated the second most innovative country in the world. This impressive ranking was based on seven criteria, including: R&D intensity, high technologies development level, volume of research being carried out, level of productivity and level of education, *etc.*

President Pak Geun-hye has also set out an important task – to create an honest and fair economy in which small and medium-sized businesses can prosper alongside large companies.⁴⁴ To achieve this goal she proposed principles for switching to a creative economy based on giving small enterprises the opportunity to boost their competitiveness in the global market. This carries particular significance, since the concentration of economic power in the hands of the ten biggest industrial and financial conglomerates in South Korea has grown significantly, according to data from South Korea’s National Statistical Agency and the Korean Stock Exchange. The total volume of trade recorded by 539 companies that form part of the country’s ten major financial and industrial conglomerates (excluding banks, insurance companies and securities operators) totaled KRW 756 trillion (41% of all trade done by companies in the

⁴³ A New Era of Hope // Cheong Wa Dae. Office of the President, the Republic of Korea. URL: <http://www.english.president.go.kr/government/goals/goals.php>

⁴⁴ The Full Text of the 18th Presidential Inauguration Speech // Cheong Wa Dae. Office of the President, the Republic of Korea. 01.03.2012. URL: http://www.english.president.go.kr/pre_activity/speeches/speeches_view.php?uno=7622

industrial sector). The influence of conglomerates on the exchange market is also growing. If in late 2009 the total value of their shares amounted to KRW 448 trillion, then, as of August 1, 2010, it totaled KRW 698 trillion (52% of national stock exchange market).⁴⁵

The opportunities that have opened up for Russia, primarily the prospects of foreign economic interaction with its South Korean partner thanks to the new course set by President Park Geun-hye, include the following key points. The new president's economic policy at present will, to a great extent, be dependent on developments on the Korean Peninsula. The coming to power of the new administration coincided with tougher challenges to which South Korea must respond – i.e. its ability to withstand the new wave of the global financial crisis; falling export competitiveness; the search for new export-import markets; increasing the technological level of industrial production; ensuring all economic entities make the transition to innovation development; growing social and economic problems; in addition to fulfilling electoral promises regarding the “creative economy”. We believe that it is precisely in light of these options that the prospects for potential changes related to Russia should be considered, primarily with regard to its economic cooperation with that country. In light of the urgent need for South Korea to see economic development recover its dynamic pace, there is, theoretically, a good chance that there will be higher demand for Russian resources and mutually complementary industrial cooperation. South Korea's new leadership has called for an increased role for small and medium-sized business as economic actors, and this raises significant interest. If state support is provided to this tier of the South Korean business community, then Russia could look for the intensification of economic cooperation at the level of the small and medium-sized businesses – from Russia and from South Korea – in the Russian Far East. The desire to move away from excessive foreign economic orientation on China could increase the chances of Russia and South Korea intensifying their mutually beneficial cooperation.

Options for Expanding Bilateral Trade – Promising Areas

It seems that the scope of interaction between South Korea and Russia could be much wider and more intensive. This assumption is based on a raft of projects and arrangements which have been either “frozen” and are waiting for their time to come, or have been negotiated very slowly because these problems are still pending. In the

⁴⁵ KBS WORLD. 17.08.2011.

area of bilateral cooperation, investment and co-production should be regarded as the most promising areas of interaction. However, the projects of trilateral cooperation (Russia—South Korea—North Korea) have a more synergetic effect.

The three priority vectors could become quite promising areas for all three countries (Russia—North Korea—South Korea): developing alternative sources of energy and energy security, eco-friendly, environmentally sustainable economic growth and “green” growth aimed at combating climatic change. A certain mutual complementarity can be seen in the common desire of the three countries to develop innovation industries and sectors of economy.

At present the assistance on “green growth” and access to relevant technologies is the most pressing issue for North Korea (new methods of agricultural land development, introduction of new types of agricultural plants resistant to changes of climate, floods, *etc.* are of particular importance for North Korea).

For South Korea, it is important to maintain sustainable development, environmentally safe industry, low-carbon economy, alternative and renewable sources of energy.

For Russia achieving sustainable development, supporting the environment and new technologies in agriculture are important. Incidentally, this was announced in August 2012 at the 12th Meeting of the Russian—Korean Joint Commission on Economic and Scientific and Technical Cooperation.⁴⁶ Taking into account this and other potential vectors, a good basis for potential coordination of joint efforts can be found.

Bilateral cooperation could also be expanded within the framework of three-party, four-party and six-party cooperation on the Korean Peninsula, or multilaterally within the Asia-Pacific Region (APR). Russia’s involvement in APR and North-East Asian integration processes will primarily benefit its Siberian and Far Eastern regions. Given the poor economic integration of the Russian Far East with the Center, the development of industrial cooperation, transportation systems and logistics using close ties with countries in North East Asia should bring positive results to these Russian regions in terms of social and economic modernization. Russia, in turn, may be of great interest to these countries due to its wealth of natural resources, scientific and technical ideas and industrial potential.

⁴⁶ 12th Session of the Russia—Korea Intergovernmental Committee (rus) // Embassy of the ROK in the Russian Federation, 21.12.2012. URL: http://www.rus-moscow.mofa.go.kr/worldlanguage/europe/rus-moscow/bilateral/bilateral/index.jsp?sp=/webmodule/htsboard/template/read/engreadboard.jsp%3FtypeID=16%26boardid=12305%26seqno=688003%26tableName=TYPE_ENGLEGATIO

Alexander Fedorovsky Russia—Korea Investment Cooperation

Compared to the Russian—South Korean trade recovery during the beginning of the 19th century, current bilateral investment appears to be developing rather slowly and remains an extremely unbalanced area of cooperation between the two countries. What has been accomplished so far however can give a significant boost to bilateral trade and economic cooperation. Nevertheless this progress will be possible only if the reasons behind the current stagnation are correctly identified and ways to overcome existing problems found.

Lessons from Initial Investment Projects

At the end of 2012, the volume of South Korean investments into Russia reached \$1.9 bn. In comparison, investment flows from Russia into South Korea appear rather modest. Over the past two decades, Russian investment into the South Korean economy totaled only \$148.8 m (according to 2012 data), thereby not affecting the development of bilateral economic relations in any way.⁴⁷

It should be emphasized, however, that Russian investors (both public and private) are altogether passive in the majority of East Asian countries. This is due to the fact that the formation and promotion of investment projects in the Republic of Korea as well as in other countries in the region has been hindered by a number of objective reasons. Among them, first of all, there has been a complete absence of experience in bilateral trade and economic ties, as well as a deficient amount of necessary commercial information and only a narrow circle of experts that have adequate knowledge of business opportunities for partners and about the economic potential of the other parties.

At the same time, plans of South Korean investors have been hindered by challenges to their operations in Russia in the early 1990s. The most symbolic of these problems was the failed project to create a Russian—Korean industrial free economic zone in Nakhodka approved in 1999 by the two governments, which collapsed because of problems on the Russian side (manifested in an organizational and legal mess).⁴⁸

In addition, problems in bilateral relations have been aggravated by the existing Soviet debt to South Korea that Russia inherited. This

⁴⁷ Portal for Macroeconomic information from the Ministry of Economic Development of Russia. Statistics of External Trade of the Russian Federation with the Republic of Korea for the First Quarter of 2013. URL: http://www.ved.gov.ru/exportcountries/kr/kr_ru_relations/kr_ru_trade

⁴⁸ Federovski A.N. State and Big Business in Foreign Economic Relations with South Korea. IMEMO RAN, 2009. P. 89–90.

burden directly or indirectly impedes the participation of South Korean banking and credit institutes in supporting the investment activities of South Korean companies in the Russian Federation. Only in 2004, in accordance with a bilateral agreement on regulating the debt problem, did the South Korean government approve a procedure for settling Russia's debt (an estimated \$2.24 bn) to South Korean private credit investors and lift the ban for the participation of banks in financial operations with Russian legal entities.⁴⁹ Thus the necessary full financial and credit conditions for implementing investment projects of South Korean companies in Russia were created only 14 years after the establishment of bilateral diplomatic relations.

Economic crises that affected almost simultaneously the South Korean (1997–1998) and Russian (1998) economies were another negative factor. Under such circumstances the atmosphere of mutual trust, which was just starting to form, was compromised for a long period of time.

Nevertheless since the early 2000s, South Korea started to invest directly in such areas of the Russian economy as forestry, harvesting and processing of seafood, food processing, construction of home electrical appliances, car production and tourism. In this respect, a number of major investment projects with a value of more than \$100 m each should be mentioned: the Lotte residential, business and shopping complex in Moscow, production of home appliances by LG Electronics in the Moscow region and by Samsung electronics in the Kaluga region, plants built by the car manufacturer Hyundai Motors in St. Petersburg and a chemical complex constructed by South Korea Chemical in Tatarstan.⁵⁰ Investments in the Russian Far East (in the oil and gas, forestry, residency, agriculture and automobile construction sectors) should be also taken into account. These investments have contributed to the transformation of the Russian Far East federal region into an important part of the bilateral trade and economic exchange: they account for 41% of Russian—South Korean trade.⁵¹

At the same time, there has been no initiative from the other side, i.e. for investment from Russia into South Korea.⁵² On one hand, this fact proves that Russian business is not ready to expand into the markets of North-East Asia (NEA), and that it has weak knowledge

⁴⁹ Federovski A.N. State and Big Business in Foreign Economic Relations with South Korea. IMEMO RAN, 2009. P. 93–94.

⁵⁰ Levchenko G.Y. History and Modern State of Trade and Economic Relations between Russia and the Republic of Korea // Results and Perspectives for Russian and South Korean Cooperation. Ed. Federovsky A.N. IMEMO RAN, 2010. P. 28–29.

⁵¹ 13th Session of the Russian—Korean Joint Commission on Economic and Scientific Cooperation // URL: http://www.minvostokrazvitiya.ru/press-center/news_minvostok/?ELEMENT_ID=806

⁵² The sharp increase in FDI from RF into ROK from \$8.8m in 2011 to \$95.2m does not allow us to speak about the long-term trends in increasing Russian business activity in South Korea.

of the local business environment and conditions for commercial operations. On the other hand, South Korean businesspeople and the Korean government are still wary of Russian investors and unsure of their goals and opportunities. The legal framework and management methods of Russian businesses penetrating NEA markets have not been thoroughly examined yet.

Under such circumstances, there is a real threat of slower development of trade and economic exchanges between Russia and South Korea if no new opportunities for the expansion of innovation and investment can be found. Trade between Russia and South Korea of fuel, timber, raw materials and fish for cars and consumer goods has its limitations. Russia, which during the post-reform period was unable to resist the process of the de-industrialization of its economy, missed its chance during the 1990s of becoming involved in industrial cooperation with its Pacific neighbors. Now it is very important for Russia to integrate itself into the process of structural change, which is occurring almost simultaneously in all countries in the NEA region, including the Republic of Korea. These changes are connected to growing regional demand for innovation products.

To this end, the Russian government and business must strengthen their position on South Korean markets, taking into consideration the Republic of Korea's real potential and opportunities, not only as a major manufacturer of products in the global market, but also as a transportation, logistic and information-consulting hub – the center of trade and investment services in Northeast Asia. Thus, cooperation with the Republic of Korea is important for the pursuit of regional and global interests of Russian business.

Prospects for Expanding Investment Exchanges

On 29 March 2013, the government of the Russian Federation approved a program for the "Socio-economic development of the Far East and the Baikal region".⁵³ Such projects have the potential for attracting South Korean investments. However, the Russian government has to outline its federal and regional priorities as well as also demonstrate the conditions (legal, economic and administrative) for their implementation within the framework of developing the real sector of the economy and its industrial and social infrastructure. Only in this event will South Korean companies be able to assess the feasibility of investments into the Far East and gain

⁵³ Government program for the "Socio-economic development of the Far East and the Baikal region" (rus) // Ministry for Development of the Far East of the Russian Federation. URL: www.minvostokrazvitiya.ru/images/downloaded/programma.pdf

support for their activities from the banking and financial system of the Republic of Korea.

Considerable opportunities for Russian—South Korean cooperation still depend on the bilateral and multilateral development of the mineral and energy resources of Siberia and the Far East. Nevertheless, experience accumulated over time has uncovered the possibility of diversifying bilateral cooperation. The participation of Hyundai Heavy Industries in the implementation of the Russian agricultural production project is worth noting in this regard.⁵⁴ The value of this project is in the investors' combining of intensive methods of high-quality production with cost reduction. The South Korean investor is demonstrating in practice that the modernization of agricultural sector is possible with limited labor costs. For the Far East, which is suffering from a labor deficit, this is of a special importance. That is why the model of attracting South Korean investments tested with the participation of Hyundai Heavy Industries in the agricultural sector deserves thorough study and further application.

Among the high-tech sectors, medicine deserves special attention. The participation of South Korean companies in the creation of the prenatal center in Sakhalin has been widely discussed at the intergovernmental level.⁵⁵ The connection of social and innovative aspects of bilateral projects is important to Russia. Innovations in the health service system are complex and are hard to be fulfilled from one side alone. The actual problem for the Russian Far East, Siberia and many Asia-Pacific countries, the population of which covers large areas, is how to introduce telemedicine and other technologies connected with remote diagnosis. Here devices for medical diagnostics, satellite communication systems, and ground and air transportation facilities for patients and medical staff are all melded together in one project. If successful, the fruit of Russian—South Korean cooperation in this sphere could be valuable not only for South Korea and Russia, but also would be in demand in the markets of APR countries.

The promotion of mutual “acquaintance” of Russian regional and South Korean investors, including small and middle firms, through expanding special fairs, exhibitions, and business presentations, should be considered another promising area. These have to be designed to expand the geography of South Korean investments in Russia.

⁵⁴ S. Korea, Russia to cooperate on harbor development in Far East, Artic Sea // Korea Herald.09.07.2013. URL: www.koreaherald.com/view.pnp?ud=20/30709001053

⁵⁵ Seoul to Host 13th Russia—ROK Meeting of the Committee for Economic, Scientific and Technical Cooperation (rus). URL: www.top.rbc.ru/events/09/07/2013/865162.shtml

The parties are not utilizing the potential of joint investment activities in third countries, particularly in the CIS as well as in the Pacific region, including ASEAN countries (e.g. Vietnam).

Now Russia will have to take into account the fact, that the countries of the Asia-Pacific region, including the Republic of Korea and other neighbors in North-East Asia, have Free Trade Agreements with their partners. From the point of view of Russian business, it is important to have similar conditions for business activities in the region. Hence the development of Russian—South Korean cooperation suited to the region may be of relevance too.

The point lies in creating an institutional, legal, administrative and informational environment for the development of economic ties which would allow businesses to carry out their regional strategies in accordance with mutually specified criteria. At the government level, the milestones and targets of joint actions should be defined in close cooperation with business. At the same time, the modernization of bilateral relations should become a part of the emerging system of regional economic cooperation with bilateral relations as an integral part of it.

Undoubtedly, Russian—South Korean trade and economic relations will receive an extra boost in the event of positive inter-Korean relations. If this occurred, new opportunities for implementing major joint three-party projects, primarily in such areas as transportation and energy, would appear. At the same time, Russian—North Korean economic ties have long been in stagnation because neither the Russian state nor its businesses can go back to the Soviet type of economic relations for objective reasons and the North Korean side is not ready to build relations on market principles. Therefore, the vectors of development between Moscow—Seoul and Moscow—Pyongyang do not really match up. This situation is exacerbated by recurrent political crises on the Korean peninsula. Under such circumstances, relatively small pilot projects (e.g. in the special economic zones of North Korea) are possible, while larger-scale projects involving long-term three-party cooperation between South Korea, North Korea and Russia still exist at the level of expert planning.

At the July 2013 meeting of the Joint Russian—Korean Commission on Economic, Scientific and Technical Cooperation in Seoul mutual interest by the partners in developing investment exchanges was confirmed. However, reports published about this event do not declare any breakthrough achievements, but are mostly declarative statements by the parties.⁵⁶

⁵⁶ Work of the Intergovernmental Commission of Russia and South Korea has improved cooperation between the two countries (rus) // Ministry for Development of the Far East of the Russian Federation. URL: www.minvostokrazvitia.ru/press-cebter/news.minvostok/?ELEMENT_ID=807

In this regard, there is an urgent need for a joint Russian—South Korean analytical project that carries out a comprehensive study of the dynamics, nature and prospects for Russian—South Korean cooperation. Participation of representatives from both parties, and from the business and expert communities, is necessary to complete this project (as well as taking into consideration international experience).

A lag in developing investment exchanges and imbalanced economic cooperation imply that the concept of a strategic partnership between Russia and the Republic of Korea is still more of a declared aim of the Russian—South Korean relations than a current reality.

Changes in the current situation will require concerted effort by the state (including regional authorities) and by private businesses as well as analytical support from the media and expert community.

Without a fundamental change to the North Korea economic system, there is no reason to expect the emergence of conditions for large-scale and long-term three-party cooperation involving Russia, the DPRK and the Republic of Korea.

Victoria Samsonova
Science, Education and High-Tech as Points of Common
Interest for Russia and the Republic of Korea

Cooperation between Russia and the Republic of Korea in the field of science and technology is a key aspect of the overall relationship between the two nations. Both nations have placed a strong emphasis on this area of cooperation in light of the possibilities to synergize Russian fundamental research in the aviation and space technology, nuclear energy, *etc.* sectors with Korean technologies in robototechnics, electronics, car manufacturing.

*Science and Technology as Part of Economic Development
of the Republic of Korea*

Table 1

ROK spending on R&D

	2008	2009	2010	2011	2012
Finance for fundamental research (in trillions of won)	2.8	3.7	4.9	6.2	8.1
Percentage of overall R&D budget	25.6	30.6	36.0	42.4	50.0

Source: Ministry of Education, Science and Technology of ROK

ROK's economic strategy views science-intensive industries as a pillar of growth. ROK has set a target of reaching seventh place in the global hierarchy in terms of competitiveness in science and technology.⁵⁷ To achieve this goal, ROK has increased spending on R&D each year. In 2006, this nation was in fifth place in the world in terms of the ratio of R&D investments (\$29.8 bn) to GDP. Since 2008, the government of ROK has upped spending on fundamental research from 2.8 trillion won (around \$2.4 bn) to 8.1 trillion won (around \$6.9 bn).⁵⁸

At present, ROK is prioritizing the dynamic development of the following sectors of the economy: fundamental science, IT, nano-technology, biotechnology, "green technologies", and new types of energy and materials. The value of these sectors cannot be in doubt. Of note, the export of IT products is permanently on the rise: while in 1988 the share of IT products in overall exports was 12.25%, by 2000, it went up to 32%. In 2010, the export of IT products by ROK was worth \$140 bn.

⁵⁷ Samsonova V.G. The human factor and scientific and technology exchanges in view of the surge in innovation-focused cooperation between Russia and ROK // Materials of the 22nd annual conference of the RAS Institute of the Far East — Center of Asia and Pacific Region of the Hanyang University in Seoul, 30 September – 1 October, 2010. P. 298.

⁵⁸ Ibid.

Well aware of the need to proceed with an innovation-focused mode of development, in his inaugural speech new ROK President Park Geun-hye put forward a concept of a “creative economy” aimed at a giving the nation a powerful boost by emphasizing the application of Internet-based technologies in wider contexts, from agriculture and industry to the service sector.⁵⁹ R&D and the IT industry should be placed at the heart of the creative economy, the President said. It should be noted that in 2012, ROK was number one among 155 nations in terms of the application of information and communications technologies.⁶⁰ This index is determined by three criteria: access to information and communications technologies, the level of application, and the skills available to employ them. ROK made it to the top of the ‘level of application’ category, secured second place in the ‘skills’ category, and placed tenth regarding ‘access to information and communications technologies’. ROK innovation-targeting policies were duly appraised by Bloomberg agency, which placed the country second on the list of the most innovative nations in 2012.⁶¹

Looking for new types of energy and lowering dependence on conventional energy sources have become two of the main priorities in R&D to be achieved through a switch to “green” technologies and transition to a low-carbon economy. In 2009, the ROK government elaborated and made public its first “green” five-year plan for the years 2009–2014.⁶² All in all, this plan is backed by financial allocations in the amount of \$84 bn. Around half of these investments, or \$44.3 bn, are earmarked for the adaptation of the ROK economy to climate change and ensuring energy independence.⁶³ The rest of the money is channeled into two areas. First, money is being injected into the creation of “locomotives of economic growth”, that is “green” technologies and the adaptation of industrial structure to towards “green growth”; into structural reforms of the industrial sectors of the economy; and into putting in place all the prerequisites for the transition to a “green” economy. Second, an emphasis has been placed on improving the quality of life: developing environment-friendly transportation and residential areas and introducing “green” technologies into everyday life of the citizens. According to govern-

⁵⁹ Comparison of scientific and technological competitive edge between South Korea and China // HRI Economic review / Hyundai Research Institute. March 2013. P. 10.

⁶⁰ How to Create Another “Korean Miracle” in 2013 (rus) // Russia—Korea Information Agency. URL: <http://www.ruskorinfo.ru/articles/economy/7493>

⁶¹ ROK Takes 1st Place in ICT Develomption (rus) // KBS WORLD. 10.12.2012. URL: http://www.world.kbs.co.kr/russian/news/news_Sc_detail.htm?No=30006&id=Sc

⁶² Russia Takes Place among Most Innovative States // Voice of Russia. 05.02.2013. URL: http://www.rus.ru/r.ru/2013_02_05/Rossija-voshla-v-rejting-naibolee-innovacionnih-stran

⁶³ Overview of the Republic of Korea’s Green Growth // Green Growth Korea. 29.12.2012. URL: <http://www.greengrowth.go.kr/?p=42533>

ment plans, ROK will become the seventh leading nation in terms of developing its “green” economy by 2020, and fifth by 2050.⁶⁴

However, despite positive factors characterizing developments in fundamental science, ROK has no reason to rest on its laurels. The pace of introducing innovative technologies is accelerating while competition from other nations is getting tough. For ROK, the main competitor is China. Although investments in R&D in China constitute 1.77% of GDP, while in ROK the relevant share is 3.74% (2012 data), the average rate of spending increases in this field over the last 15 years was 7.8% in China and 3.3% in South Korea.⁶⁵

In 2010, total investments in R&D in China reached \$104 bn, which is three times higher than in ROK. The rate of spending increases in China from 1995 to 2010 was 24% at average, which once again was three times higher than in the ROK. Moreover, in 2010 the total number of researchers in China was 1.2 million while in ROK there were just 260,000.⁶⁶

ROK has placed a strong emphasis on leadership in scientific fields, but these goals are hardly achievable if tackled alone. For this reason, government policy in the R&D area envisages intense international cooperation, allowing for the pooling of resources by various nations in order to achieve synergies. ROK considers Russia to be a lucrative partner for mutually advantageous scientific and technological cooperation. Since 1990, within the framework of Russia—ROK scientific and technological cooperation, more than 90 projects have been or are currently being implemented to target R&D in some of the most promising fields of science and technology.⁶⁷ South Korea has displayed a keen interest in research dealing with laser technology, biotechnology, the production of composite and ultra-strong materials, genetic engineering, nuclear energy, electronics, and aviation and space technology.

Promising Areas for RF and ROK Cooperation in Science and Technology

In 1990s, when fundamental science in Russia faced enormous challenges due to a lack of financing, South Korea, as noted by Russian experts, displayed interest in capitalizing on the results of R&D carried out in Russia without committing much money to these acquisitions. After the state of affairs began to return to normal and

⁶⁴ Overview of the Republic of Korea's Green Growth // Green Growth Korea. 29.12.2012. URL: <http://www.greengrowth.go.kr/?p=42533>

⁶⁵ ROK Ministry of Strategy and Finance. URL: <http://www.mosf.go.kr>

⁶⁶ Comparison of scientific and technological competitive edge between South Korea and China // HRI Economic review / Hyundai Research Institute. March 2013. P. 10.

⁶⁷ Lee Young-Gil. Modern forms of economic cooperation between Republic of Korea and Russia // URL: <http://www.econ.msu.ru/cmt2/lib/a/1463/file/Lien.pdf>

scientific research centers started to receive public investments, Russia—ROK scientific and technological cooperation became more balanced and reciprocal.⁶⁸

Of note, one of the very first inter-governmental agreements between the two countries was the Agreement between the USSR Government and the Government of ROK on scientific and technological cooperation signed 14 December 1990. Cooperation in these areas was subject to consultations within the Russia—ROK joint committee on economic, scientific and technological cooperation. The 11th meeting of the Committee was held on 26 October 2011 in Seoul.⁶⁹ Talks centered around the acceleration of bilateral trade, economic and investment cooperation, and special attention was devoted to scientific and technological cooperation, and in particular, to space exploration.

The parties agreed, among other things, to begin the selection of promising high-tech research projects over the course of working meetings and experts' seminars, and to promote discussions on the best avenues of joint research, including locating financing. Certain positive results were achieved in such key areas as the legal foundation of scientific and technological cooperation. Russian representatives used to point out that ROK had applied various pretexts to avoid elaborating a legal framework to regulate the transfer of intellectual property created over the course of joint research. Finally, an agreement was reached to begin discussions on an expert level related to the draft Protocol on the principles of protection and allocation of rights on intellectual property in the area of science and technology.⁷⁰

Cooperation in Space Exploration

Republic of Korea is very much interested in widening cooperation in the aviation and space sector. In 2004, an inter-governmental agreement was signed paving the way for the first astronaut from South Korea to orbit the earth on board a Russian spacecraft in April 2008.⁷¹ Russian scientists provided assistance to ROK in setting up a space center on Naro Island. Russia and ROK also agreed to collaborate to design and produce the South Korean Space Rocket Complex (SRC) with the light class Korea Space Launch Vehicle

⁶⁸ MGIMO Vestnik, February 2013. URL: http://www.vestnik.mgimo.ru/filesserver/13/vestnik_13_02.pdf

⁶⁹ The 11th meeting of the Russia—ROK Committee on Economic, Scientific and Technical Cooperation // Ministry of Regional Development of the Russian Federation. URL: http://www.stranaodna.ru/activities/international_relations/interstate_coop/Korea/1633.html

⁷⁰ Data from the Russian Ministry of Economic Development.

⁷¹ First Korean Astronaut to Travel to Space in 2008 // Seoul Vestnik. 14.04.2006. URL: <http://www.vestnik.kr/science/643.html>

(KSLV)-1. The contract on SRC KSLV-1 was signed in October 2004. The two signatories were the Korean Aerospace Research Institute and from the Russian side, Khrunichev State Research and Production Space Centre, which bore the responsibility for the whole project, NPO Energomash in charge of the elaboration and production of the first stage of KSLV-I, as well Center for Operation of Space Ground-Based Infrastructure responsible for the development of the ground-based complex. The joint endeavor by Russia and South Korea culminated in triumph. On 30 January 2013, the Naro Space Center witnessed the successful launch of the KSLV-I with the STSAT-2C space vehicle. The first stage of KSLV-I was designed and produced by the Khrunichev Center while the Korean Aerospace Research Institute constructed the second stage.⁷²

The process preceding the launch of KSLV-I was long and marked by complications. The launch was postponed twice. Originally it was planned for 26 October 2012 but was postponed due to technical malfunctions: helium leakage was detected during the pre-start checkup of the fuel filling system. The first two launches of the KSLV took place in 2009 and 2010. Both were a disaster. Investigations of their failures confirmed that the double fault start was not related to the first stages constructed by the Khrunichev State Research and Production Space Centre. However, Cho Guan-he, head of the Rocket Technologies Department of the Korean Aerospace Research Institute, declared that ROK would cut payments to Russian partners for the KSLV (Naro-1) aborted launches by \$4.2 m. As Mr. Cho explained, the withheld money constituted 2% of the total sum of \$210 m due to be paid for the design and construction of the first stages of the space launch vehicles. Cho Guan-he reminded that the 2004 agreement stipulated decreases of payment in case of technical failures of the launches.⁷³

Polar Research

South Korea is intensively exploring Antarctica with the assistance of Russia. A South Korean polar station has been set up there. Since January 2012, the second polar station has been under construction in the southeast corner of the ice continent, in the Terra Nova Bay. A scientific-technological complex with an area of 3300 square meters is expected to be finalized in March 2014. The sta-

⁷² Launch of KSLV-I Successful (rus) // Roscosmos Agency. URL: <http://www.federalspace.ru/main.php?id=2&nid=19848>

⁷³ Payments to Russia for KSLV-I to be Reduced (rus) // KBS WORLD. URL: http://www.world.kbs.co.kr/russian/news/news_Sc_detail.htm?lang=r&id=Sc&No=30364¤t_page=

tion will be separated from the first Antarctic station by 4500 km.⁷⁴ Russia and ROK agreed about the need to facilitate the education and training of specialists in ice water navigation in order to manage the South Korean ice-breaker ARAON. They also agreed that Russian experts would accompany the South Korean vessel during the voyage to Antarctica, including further cooperation in training ice water navigation experts. Russia and ROK have come to an agreement to foster cooperation in essential information exchange and joint research of fauna in the low-temperature environment of the Arctic Ocean.⁷⁵

Cooperation in Pharmaceuticals

The closed (joint-stock) company Research Institute on Chemical Diversity (RICD) is interested in widening cooperation with SK Bio-Pharmaceuticals in conducting pre-clinical research and development of new medicine and also in the early stages of clinical tests. At present, RICD and the Pasteur Institute in ROK have begun a joint project on the creation of new medicine to cure tuberculosis. OOO HIMRAR is interested in setting up an alliance with DONG-A Pharmaceutical Co. Ltd, a joint biotechnological production facility for pre-clinical and clinical research and the development of innovative preparations to cure Alzheimer disease and illnesses affecting the central nervous system.

Cooperation in the medical field is viewed as very promising by both sides. On 27 November 2012, the first Russian—Korean forum on the interaction for the development of the medial industry was held. Around 60 companies from ROK took part in the forum, and the number of participants exceeded 130. The plenary session culminated with several memoranda signed.⁷⁶

Cooperation in Nanotechnologies

One of the advantageous areas of scientific and technological cooperation is nanotechnologies. Within the framework of the visit by the ROK President Lee Myung-bak to Russia in September 2008, the Memorandum on understanding and cooperation was signed between the Russian State Corporation on Nano-

⁷⁴ Second ROK Science Station to be Built in the Antarctic (rus) // KBS WORLD. URL: http://www.world.kbs.co.kr/russian/news/news_Sc_detail.htm?lang=r&id=Sc&No=27805¤t_page=6

⁷⁵ Protocol of the 10th Meeting of the RF—ROK Joint Committee on Economic, Scientific and Technological Cooperation (rus) // URL: http://www.beltp.ru/News_of_TPP_RF

⁷⁶ Asia and Africa Dept. Deputy Chief N. Strigunova Participated in Russia—ROK Medical and Pharmaceutical Cooperation Business Mission (rus) // Minisrty of Economic Development of the Russian Federation. URL: http://www.economy.gov.ru/minec/about/structure/depAsiaAfrica/doc20121128_011

technologies (ROSNANO) and the ROK Ministry of Education, Science and Technologies.⁷⁷ On 11 December 2009, ROSNANO and the Korean Research Institute of Standards and Science (KRISS) signed the Memorandum on Cooperation.⁷⁸ ROSNANO and KRISS joined efforts to elaborate norms and standards, enrolling research laboratories and Memorandum on understanding and cooperation was signed between the Russian State Corporation on Nanotechnologies (ROSNANO) and the ROK Ministry of Education, Science and Technologies specialists to assess the conformity and security of nanotechnologies and the products of nano-industry, and also the creation of initial conditions for commercializing the results of R&D.

On 16 June 2011, within the framework of the St. Petersburg International Economic Forum, ROSNANO, Korean Institute for Advancement of Technology (KIAT), the international investment company 360ip and Samho Green Investment Venture Capital (SGIVC) announced the creation of the Asian Nanotechnological Foundation. The foundation will be formed in the ROK. The Russian branch will be located in St. Petersburg. The capitalization of the Foundation is set at \$100 m with half provided by ROSNANO Capital fund, a 100% subsidiary of ROSNANO. For its part, KIAT will invest 20 billion won (around \$18 m). Additional support for the portfolio companies of the Foundation operating in Singapore will be provided by the Singapore Economic Development Board (EDB) in the form of grants to the tune of \$20 m. No less than 50% of the Foundation's finances will be channeled to companies operating on the territory of the Russian Federation.⁷⁹

Joint scientific centers are being established at the same time. In particular, since 2005, on the basis of the techno-park in Gyeonggi-do province, the joint scientific research center SOI-Korea has been operational, established by the Korean Electrotechnical Research Institute (KERI) and the public scientific center "S.I. Ivanov State Optics Institute (St. Petersburg). In 2010, several new participants from Russia joined the project, and it acquired a new name: *Russia Science Seoul*. In May 2010, in Seoul City Hall, the Memorandum on understanding on the creation of a Russian—Korean research center was signed. The Memorandum stipulates that South Korea would provide the venue and allocate \$16 m for the period of 2010–

⁷⁷ ROSNANO and ROK Ministry of Education, Science and Technologies sign Memorandum of Understanding and Cooperation (rus) // PRIME Information Agency. URL: <http://www.commerce.1prime.ru/news/0/%7BF7FFDBE3-5963-42B1-973B-3533644A4AF8%7D.uif>

⁷⁸ ROSNANO and KRISS sign Memorandum of Understanding (rus) // ROSNANO. URL: <http://www.rusnano.com/about/press-centre/news/75115>

⁷⁹ Russia, ROK and Singapore Create Nanotechnology Foundation (rus). URL: <http://www.rusnano.com/about/press-centre/news/75663>

2014. The *Russia Science Seoul* center will house 73 specialists in the field of nano- and biotechnology (39 Russian and 34 South Korean researchers).⁸⁰

Until now, scientific and technological cooperation between Russia and ROK took place in accordance with inter-governmental agreements and contracts concluded by major companies. However, the acceleration of cooperation requires the involvement of small and medium enterprises (SME). In fact, the new ROK government has set the goal of stimulating the development of SME and raising their profile on global markets. New ROK President Park Geun-hye highlighted the need for supporting SME in his inaugural speech.⁸¹ Small and medium-sized businesses in South Korea have a keen interest in cooperation with Russia. According to a poll conducted by the ROK Ministry of economic and intellectual property, 57.1% voted for the improvement of technical cooperation with Russia (240 respondents, or 86.3% out of the total represented SME). South Korean respondents revealed the main motives for fostering this kind of interaction with their Russian counterparts:

- Opportunity for intensive application of high-class technology (62.1%);
- Low cost of technical design (16.5%);
- Ingenuity of Russian scientists (10.7%);
- Ease of interaction with Russia compared to other technologically advanced nations (6.5%).⁸²

Cooperation in Human Resources Training

Cooperation in human resources training has been gaining momentum lately, focused on managers in high-tech sectors and supported by the internship of Russian specialists at the ROK scientific and innovation centers. Programs for the exchange of college students and professors have been embraced by the Institute of Asia and Africa (Lomonosov Moscow State University), MGIMO University of the RF MFA, Moscow State Linguistic University, Far East Federal University, *etc.* while the South Korean side is represented by the following partners: Yonsei University, Korea University, Kyung Hee University, Korean Foreign Languages University, *etc.* Annually, about 100 Russian students, college professors and scientists

⁸⁰ Russia Science Research Center Opens in Seoul (rus). URL: <http://www.kore-saram.ru/V-Seule-otkrilsya-Issledovatelskii-tsentr-Russia-Science-Seoul>

⁸¹ The Full Text of the 18th Presidential Inauguration Speech // Cheong Wa Dae. Office of the President, the Republic of Korea. 01.03.2012. URL: http://www.english.president.go.kr/pre_activity/speeches/speeches_view.php?uno=7622

⁸² Sung Yen Won. Strengthening of RF—ROK Technological Cooperation with Emphasis on Cooperation in Industrial Technologies on the Basis of Small and Medium Enterprises. Russia—Republic of Korea Dialogue 2010. P. 72.

come to South Korea under various educational programs. Within the framework of the educational program undertaken by the Korea Foundation, grants are offered for the education and R&D for Russian students and scientists.⁸³

In accordance with the Russian Government directive regulating cooperation with foreign countries in the field of education, the citizens of ROK are annually granted state scholarships for education in tertiary educational institutions in Russia with money coming from the federal budget. In recent years, the quota was fixed at 25 state scholarships per annum.⁸⁴

Forecasts for the development of Russia—ROK scientific and technological cooperation are based on the mutual commitment of both sides to go further. ROK economic policy for the next 15–20 years targets entry into global markets through the creation of new products and services based on cutting edge technologies (either borrowed or ‘home-grown’). The government has elaborated the “5-7-7” program which stipulates investment in R&D at a rate of 5% of GDP, the development of seven prioritized fields and the country joining the seven most scientifically and technologically developed nations. For this purpose, ROK is developing scientific and technological cooperation with different countries, including Russia.

As for Russia, the federal government has elaborated forecasts for the transition of the national economy from a model of dependence on primary materials exports to a new economy based on innovation, fostering intellectual capital, and the prioritized development of high-tech sectors with a high degree of competitiveness on global markets. According to estimates, from 50% to 90% of GDP growth in developed countries is created by innovation and technological progress with innovation being the main driver of development in all industrial sectors as well as the service sector.⁸⁵ In order to speed up scientific and technological development, Russia is forging alliances with various countries with a focus on modernization, and Republic of Korea is viewed as one of the most promising partners.

To create synergies based on scientific and technological cooperation between RF and ROK, it is essential to concentrate efforts on the following:

— joint commercialization of the Russian scientific discoveries

⁸³ About Us // Korea Foundation. URL: https://www.kf.or.kr/eng/05_abo/abo_hyu02.asp

⁸⁴ Data of the Russian Ministry of Education and Science.

⁸⁵ Long-Term Forecast of the Scientific and Technological Development of the Russian Federation. P. 6. URL: <http://www.old.mon.gov.ru/files/materials/5053/prog.ntr.pdf>

and technologies on the basis of institutes under the auspices of the Russian Academy of Science and R&D centers servicing various industries;

- setting up joint production in Russia and in the North East Asia countries on the basis of Russian patents and licenses;
- intensifying the engagement of various scientific funds and their grants to support Russian researchers in the field of exact sciences as well as natural, social and humanitarian sciences;
- creation of joint funds to finance fundamental research.

III. REGIONAL CONTEXT OF RUSSIA—SOUTH KOREA RELATIONS

Georgy Toloraya Inter-Korean Dialogue and Reconciliation Prospects

For decades, inter-Korean relations have resembled a pendulum. They have swung from cautious bilateral probing and talk about reducing tensions and even practical cooperation to crises and mutual recriminations, sometimes turning into armed clashes. The party usually responsible for the choice between cooperation and fighting appears to be the North. However, changes in Seoul's approaches to North Korea have been notable, called forth by the change of administration or foreign policy considerations that are triggering these turns in the policy of the North.

Eternal Confrontation?

However, the essence of inter-Korean relations remains unchanged. The Korean War is not yet over, as both sides believe that only complete victory over the enemy and its capitulation can put an end to this.

When the socialist world existed, the North hoped it would still be able to finish the job started in 1950 and annex the South, even if the two global systems had to come into conflict. Since the 1990s, Pyongyang has given up such ambitions, as plunging into any adventure of the kind would inevitably result in the utter defeat of the North. Increased pressure from the international community has made self-preservation the priority task of the regime's elite.

In contrast, after the global collapse of the socialist system, a significant number of conservative politicians in the South came to believe that the collapse of the North Korean regime and the unification on terms of the South was not far off. Although Seoul does understand that an abrupt unification will not only incur inevitable casualties among the North Korean elite, but will also cause problems for South Korea, which the latter will be unable to cope with. Even if reunification takes place relatively peacefully and centers of resistance are rapidly suppressed, a unified Korea risks a loss of global competitiveness, since hundreds of billions of dollars will have to be funneled towards modernizing the ruined North Korean economy, laying a heavy burden on the South Korean economy. A more likely scenario of a protracted conflict involving resistance movements (the number of "guerillas" composed of military and in-

telligence personnel who have nothing to lose may reach tens of thousands people) will severely damage the Korean and regional economies and set Korea far back, assigning it a second-rate role in regional and global affairs for a long time.

At the same time both Koreas want to solve their problems without external interference. In May 1972 during the very first meeting after the war between the North and the South, Seoul's representative Lee Hu-rak started with a statement that President Park Chung-hee disliked foreign interference most of all, and Kim Il-sung echoed that they had to exclude interference of external forces ... and unite on a national basis.⁸⁶

What can we expect in the foreseeable future? After the collapse of world socialism, the DPRK was left without the Soviet nuclear umbrella and without the help of fraternal countries, which changed its position in the global system of international relations dramatically and jeopardized its very existence.

Since then, inter-Korean relations have undergone three stages. The "Zero Phase," when North Korea attempted to achieve rapprochement with the South by concluding agreements on reconciliation and denuclearization in 1991–1992, ended pretty quickly. The reason was simple – the United States exerted pressure on North Korea in connection with the latter's nuclear program with the view of the rapid elimination of the regime as had happened with other socialist countries.

In the 1990s, Kim Young-sam's administration believed in the imminent collapse of North Korea, which explains its hawkishness towards Pyongyang. Seoul insisted on denuclearization, reforms and openness, which in fact was tantamount to surrender by the North. North Koreans were especially outraged by the reaction of southerners to the death of Kim Il-sung in 1994. Instead of condolences, South Korea declared a state of emergency in anticipation of the collapse of the North Korean regime and displayed open hostility to the new regime of Kim Jong-il. The opportunity for improving inter-Korean relations on the basis of Korean nationalism under the new historical conditions, i.e. the termination of bipolar confrontation, which previously specified the position of the two Korean states in the global system of checks and balances, was missed.

The "Liberal Decade" and the Sunshine Policy of the future Nobel Peace Prize recipient Kim Dae-jung and his successor Roh Moo-hyun were characterized by a tentative search for ways for national reconciliation, relaxation of tension, a lack of serious conflicts, the beginning of practical cooperation, and settlement of long-standing

⁸⁶ Don Oberdofer. *The Two Koreas. A Contemporary History*. London: Warner Books, 1999. P. 23.

problems. Summit meetings between Kim Jong-il and Kim Dae-jung in June 2000, and Kim Jong-il and Roh Moo-hyun in October 2007 laid the foundation for the peaceful coexistence of the two Koreas. A number of mutually beneficial projects were launched, including the restoration of rail service and tours to Mount Kumgang in Kangwon Province. The true symbol of inter-Korean cooperation became the Kaesong industrial complex where 120 South Korean small and medium-sized companies from 2004 to 2011 produced clothes, utensils, watches and other items worth \$1.65 bn.⁸⁷ Trade between the two countries increased dramatically, reaching an unprecedented \$1.9 bn in 2010.⁸⁸

The policy of Kim Dae-jung and Roh Moo-hyun left behind historical conflicts and in fact opened the way for possible unification or, as generations change, the creation of a “one country – two systems” union state. North Korea assumed a selfish position, intending to preserve its regime at the South Korean expense and offering nothing in return. However, despite the desire of North Korean radicals to use this scenario for weakening South Korea and alienating it from the United States, it could, however, have led to a long-term stabilization of the situation on the peninsula and, with time, to a reduction in North Korean hostility toward the surrounding world and initiating the pressing changes.

However, this option suited neither the conservatives in Seoul who expected the North to surrender, nor the U.S. in terms of both non-proliferation and growing geopolitical competition for influence with China. President Lee Myung-bak “turned back the clock.” His defiant policy towards Pyongyang, regarding the disease and the death of Kim Jong-il as a chance for Korea’s unification on his own terms provoked a crisis in inter-Korean relations. The confrontation was further escalated by an artillery engagement on Yeonpyeong island in November 2010, which was a consequence of spiraling tensions after the sinking of a South Korean *Cheonan* corvette in March 2010, over which southerners accused the DPRK (the evidence, however, was insufficient).

Are There Changes in the Offing?

In principle, the end of the five-year term of Lee Myung-bak, so resented by North Koreans, provided a chance for the pendulum to swing back to a relaxing of tensions. After all, new president Park

⁸⁷ Kaesong Industrial District Management Committee Website (kor). URL: <http://www.kidmac.com>

⁸⁸ Inter-Korean Relations // Korea.net. URL: <http://www.korea.net/AboutKorea/Korea-at-a-Glance/Inter-Korean-Relations>

Geun-hye, the daughter of “the father of the South Korean miracle” Park Chung-hee, actually recognized the mistakes of her predecessor and announced the beginning of Trust Policy towards the North.

However, the young leader of North Korea Kim Jong-un, probably due to internal reasons – the need to strengthen his personal power and consolidate the elites and the population – chose the path of escalating the tension and war hysteria against the South. After the launch of a three-stage rocket in December 2012 and a nuclear test in February 2013 and the imposing of UN Security Council sanctions on North Korea the country launched an unprecedented campaign of psychological warfare against “the U.S. imperialists and the South Korean puppets”. Regular joint U.S.—ROK maneuvers were proclaimed as the main object of protest. Aimed at the Western media, a PR campaign was accompanied by threats to start a thermonuclear war, deliver missile strikes, impose martial law and an appeal to foreigners to leave both.⁸⁹ It must be said, however, that the new South Korean administration has passed this “gut check” decently and its reaction to the threat was calm enough, though it developed a plan of “active deterrence” of North Korea, envisaging a preemptive strike against the North in case of signs of possible nuclear or missile attack against the South.⁹⁰

After the acute phase of the crisis in May 2013, we have seen tentative attempts to search for ways to resume a dialogue between the North and the South. During a visit in Washington in May 2013, ROK President Park Geun-hye confirmed the continuation of “promoting creation of trust”, although stressing the unacceptability of nuclear weapons in North Korea and Pyongyang’s provocations.⁹¹ South Korea started talking about the need for greater realism in dealing with the North; the inadmissibility of relying on sanctions only; overcoming the lack of initiative; favored gradualism (as opposed to Lee Myung-bak’s demagogic appeals to solve all the problems at one ample swoop by a “big deal”); and “separation” of the denuclearization problem from humanitarian cooperation. Seoul did not rule out the possibility of a new inter-Korean Summit. However, Pyongyang’s unexpected initiative to conclude a peace treaty and hold a meeting at the government level caught the South Koreans off guard and their lack of flexibility in finding a compromise on the representation level wrecked the talks scheduled for June 12, 2013. After that Pyongyang shifted its foreign policy vector to the United

⁸⁹ Rodong Sinmun. 10.04.2013.

⁹⁰ South Korea Prepares Preemptive Strike against DPRK // Finance.ua. URL: <http://www.news.finance.ua/ru/~1/0/all/2013/04/01/299489>

⁹¹ South Korean President Park Geun-Hye Addresses a Joint Session of Congress // Hawaii Reporter. URL: <http://www.hawaiiireporter.com/south-korean-president-park-geun-hye-addresses-a-joint-session-of-congress/123>

States and offered Washington a high-level meeting, possibly in an attempt to drive a wedge between the allies.

Pyongyang's main foreign policy objective is to establish a dialogue with the United States for chaffering guarantees of regime preservation and continued assistance. South Korea is traditionally perceived as a factor that impedes the achievement of these goals. Therefore, following the logic of Pyongyang, the South should be removed from the dialogue. During the presidency of Lee Myung-bak Seoul gave more than one reason for such an assessment, since weakening and isolation of North Korea appeared to be its priority goal. South Korea tried to play the first fiddle in Korean affairs and maintain its monopoly on decision-making, which hampered implementation of pragmatic approaches by other countries and reaching compromises.

Park Geun-hye's restrained reaction to Pyongyang's campaign of psychological pressure and her readiness to engage in dialogue have created conditions for finding a compromise with Pyongyang without dictate and Seoul's concessions to the North, unacceptable for the South Korean public opinion. This development will be possible possible in the event of resuming negotiations between the U.S. and North Korea when the dust settles after the nuclear missile demarches of North Korea. Perhaps, the tactics of "small steps" in promoting cooperation between the North and the South can bear fruit. The success achieved by the middle of Park Geun-hye's term could result in some breakthroughs, including an inter-Korean Summit. Only a gradual process of national reconciliation can lead to an accumulation of a critical mass of agreements and practices of interaction that would make a return to confrontation disadvantageous to both parties.

The main obstacle to a positive scenario is North Korea's possession of nuclear weapons, which it does not want to renounce, at least on a preliminary basis, before its safety is guaranteed by non-military measures, if such a thing is at all possible. Although it is unlikely that the intention of South Korea to acquire its own nuclear capability will be actualized, formal recognition of North Korea's nuclear status is unacceptable for politicians in Seoul. Obviously, it would do inter-Korean relations only good if the nuclear issue is taken off the agenda and is discussed in a multilateral (six-party) format to create a new system of maintaining peace on the Korean peninsula.

It serves the interests of Russia to encourage a relaxation of tensions between the two Koreas and development of dialogue and cooperation. First, it enhances our ability to influence the situation,

promotes confidential dialogue with the two capitals, and creates background of multiple-choices. Second, Russia has a direct interest in implementing economic projects on the Korean Peninsula, which is impossible without at least relative normalization of relations between the North and the South. Third, only the normalization of relations would remove one of the obstacles on the way of creating a multilateral system of security and cooperation in Northeast Asia – a region that becomes a victim of China's rivalry and confrontation with the United States.

It should be noted, that the world today is undergoing a change of global governance model and, given the interests of major world actors (especially the U.S. and China) in the key region of Northeast Asia, the relationship between North and South Korea can no longer be regarded as a purely intra-national problem (especially taking into consideration the WMD factor). Therefore, it is appropriate for the Russian side to elaborate the multilateral security system issue in Northeast Asia, the more so because we head a working group within the framework of the six-party process.

For example, Russia could offer a new concept of maintaining peace on the Korean peninsula, based on a system of cross-agreements among all the Six-Party process participants, which would legally secure their rights and obligations towards other members in regard to the situation on the Korean peninsula, and would make it possible to monitor the fulfillment of these obligations. In this case, the implementation of bilateral obligations arising from the agreement between the DPRK and the United States would be subject to monitoring by such countries as China and Russia, rather than the distant UN. In its turn, the relationship between the ROK and the U.S. could be "under surveillance" by the DPRK. Such a system could incorporate existing agreements (U.S.—ROK, U.S.—Japan, Russia—North Korea, Russia—ROK, China—North Korea, *etc.*) relating to the situation on the Korean peninsula, and in the future even replace them. The issue of denuclearization of North Korea could be resolved within its framework. This process, of course, is multi-phase and should be carried out in stages. Anyway, the concept development of what the six-party talks should result in would give an important impetus to focusing negotiations on discussing security issues on the Korean peninsula, rather than just unilateral nuclear disarmament of North Korea.

Alexander Vorontsov **China's Stance on the Korean Issue**

Due to issues of national security as well as historical, geopolitical, and economic factors, the Korean Peninsula has always been a priority in China's strategy. The topical relevance of a historically shaped maxim on the indivisible security of China and Korea (the "lips and teeth" analogy) has gained importance recently. Beijing and the Democratic People's Republic of Korea (North Korea) are linked by the Mutual Aid and Cooperation Friendship Treaty of 1961, and its military clause is still in force, however, according to China it has recently been adjusted – China's commitments regarding the provision of direct military assistance only become effective if North Korea is subject to unprovoked aggression.

Trade Activity of China on the Korean Peninsula

The importance of China's economic links with the Republic of Korea (South Korea) can be illustrated by the following: in 2012 bilateral trade exceeded \$215 bn (somewhat lower than the previous year), over 23,000 South Korean companies are active on the Chinese market.

South Korea, an advanced economic power, China's fifth largest trade partner, and an important member of regional trade and economic blocs that are in the process of being established, is in the focus of Beijing's prime attention. In May 2012, China and South Korea launched negotiations on a bilateral free trade agreement (FTA).

The plan to establish a China—Japan—South Korea free trade zone is an even greater priority for Beijing. This association is seen as an alternative to the Trans-Pacific Partnership built under U.S. auspices and regarded by the Chinese as an American instrument of deterrence against China. The practice of three-party summits was launched in 2002: five summits on this issue have already been held (most recently in May 2012 in Beijing). The sixth summit was slated for May 2012 in Seoul, but was postponed due to aggravated disputes (primarily, territorial) between China and Japan over the Senkaku/Diaoyu islands. So far, Seoul's efforts at mediation, aimed at facilitating the planned summit, have been futile.

China has become the primary trade partner for both North and South Korea. This is why Beijing is striving to maintain balanced, neighborly relations with both states. Objectively, North and South Korea each matter to China, albeit in very different ways in terms of function, parameter but of undoubtedly significant magnitude.

In 2012, the trade volume between China and North Korea reached \$5.93 bn – a 71.2% increase compared to the figures for 2010. Experts estimate Chinese investment at seven and even ten billion USD. In the same year, the number of Chinese tourists visiting North Korea rose to 40,000. The number of working visas issued by the Chinese authorities to North Korean laborers quickly reached the same level, and soon rose to 120,000. In recent years over 100 joint ventures have been established, and more than 150 Chinese companies were registered in North Korea as investors. These cooperation processes actively involve Chinese citizens of Korean origin who are not subject to international or unilateral sanctions imposed against North Korea by the United States, Japan and South Korea (about one million Koreans live in the Yanbian – Korean Autonomous Prefecture of the Jilin Province alone).

Chinese businesses focus their attention on the North Korean free economic zones, primarily Rason, where the Chinese leased two piers in Rajin port, thus obtaining the much-coveted access to the Sea of Japan. The 50-km dirt-road linking the port with the Chinese border was thoroughly renovated and turned into a high-speed trunk road; the travelling time was slashed from three hours to fifty minutes. Capital investment in both projects amounted to \$3.5 bn.

Not so very long ago, South Korea was North Korea's chief economic partner, however, the Lee Myung-bak presidential administration all but halted cooperation with Pyongyang, and China has since become a monopoly in the North Korean market.

The Great Wall

North Korea protects China's northeastern border, nearby industrial and political centers and its capital Beijing from the military infrastructure of the U.S.—South Korean and U.S.—Japanese alliances.

Over the last 20 years, the nuclear problem of the Korean Peninsula has become one of the most pressing regional issues, and has added intensity to the already intractable "Korean issue." Due to these special relations with Pyongyang, Beijing's significance in the context of international efforts to reach a settlement has substantially grown. Bearing in mind Beijing's unprecedented role as Pyongyang's key political ally, sponsor and partner, which plays a decisive role in the future economic survival of North Korea, Washington and its allies (chiefly Seoul) prioritized involving China in their own approaches to the resolution of the Korean problem and its nuclear component. At the same time, the North Korean tune is so dominant in the South Korean agenda of bilateral relations with China, that

sometimes Beijing gets the impression that Seoul's main task is to take advantage of it to resolve its own problems in the North. Naturally, this approach causes disenchantment and, sometimes, even irritation in the Chinese public opinion.

To put it very simple, the allies' goals (on which they would greatly welcome Beijing's commitment) can be seen as follows: continuous increase in pressure, including through sanctions, and isolation of North Korea with the minimum program goal of achieving its "surrender" on the nuclear track (denuclearization without granting adequate guarantees of security and compensations), the maximum program goal is collapse, "regime change" and assimilation by South Korea. Various methods have been applied to attain this goal: from direct overtures and flattery in the spirit of "all the keys to the North Korean nuclear problem are to be found in Beijing," calls to actually display the ability to act as a "responsible stakeholder" in global politics, right up to direct pressure and virtually open blackmail, as was particularly evident during the sharp uptick in tensions on the Korean Peninsula in 2010. At the time the United States engaged in nearly an open conflict with Beijing on a wide range of issues, including North Korea. The United States and South Korea hoped to use this unprecedented escalation of pressure on Beijing to convince China that the price it is paying to support North Korea is becoming an unbearable burden – essentially it was an attempt to drive a wedge between China and Pyongyang. It is no secret that joint exercises planned for fall 2010 in the Yellow Sea (involving aircraft carriers) were primarily targeted at China, though officially camouflaged by anti-North Korean rhetoric.

However, China's leaders are steadily pursuing their own political course with the ultimate priority being to preserve the status quo on the Korean Peninsula or, in Beijing's wording – stability. Guided by its own national interests, Beijing sent a clear message to the whole world that it is opposed to a North Korean collapse and would never let that happen. Within this framework, Beijing opposes an expanded approach to implementing the tough sanctions imposed by the well-known UN Security Council resolutions, instead interpreting them as measures aimed at blocking North Korea's military programs (chiefly missile and nuclear programs), and by no means targeted against the civil sector of the country's economy, emphasizing the inadmissibility of reducing the living standards of the people.

As a result, China's leadership, while sharply criticizing North Korea's nuclear tests of 2009 and 2013 and supporting the UN Security Council sanctions, does not implement "suffocating" restrictions with regard to its obstinate ally. Moreover, in recent years China has

significantly expanded its trade, economic and investment cooperation with North Korea.

It is important to note that there is a whole variety of opinions in the Chinese expert community on the nature of and prospects for further relations with Pyongyang. Relatively negative assessments of North Korea as a feudal and monarchial regime, and the argument that support for North Korea inhibits China's integration into the world community are by no means rare. One also meets the following view: Beijing was very helpful in the unification of Vietnam, as a result, it found a strong and disloyal competitor on its borders – should it repeat the same mistakes in Korea? However, at the decision-making level, the consensus on the irrefutable priority of security considerations remains unshakeable.

In June 2009, Beijing voiced unprecedentedly strong disapproval of Pyongyang's actions over its second nuclear test, but normalcy had returned to China—North Korea relations within 2–3 months' time, including in its military component, and by October China Premier Wen Jiabao had visited Pyongyang, which became a turning point in the development of their bilateral relations.

Beijing's Interests in North Korea

North Korea is committed to broad cooperation with China for of a number of reasons. One is because the zero-option environment was very much in place when, under the conditions of total isolation, China became a "life raft" for the Koreans. Another factor is also worth noting: China's extensive economic presence is seen by Pyongyang as a lesser evil as compared to that of South Korea (active before 2008), as it is not followed by the export of a "poisonous ideology." Among the driving motivations of China's leaders one should highlight the following: among other things, Beijing views its wide economic cooperation as one of the practical instruments fostering market-oriented reforms in North Korea.

Thus, an enclave of complementary national economic structures is under construction on the China—North Korean border. The other side of acquiring additional levers of influence is an environment in which China has something to lose in North Korea. China is ready to protect its business interests in and "regular trade" with the country. Actual interdependence is being created. This is one of the reasons why China is biased against regime change in North Korea and the application of "suffocating" sanctions. Some American China-watchers suggest that, even with Beijing's sincere aspirations to achieve the denuclearization of the Korean Peninsula, many

Chinese experts recognize the reasons driving Pyongyang further down the nuclear path (“self-defense” against a policy of “double standards” and the threat of “nuclear coercion”), and even almost sympathize the rationale behind North Korea’s stance on this issue.

Nonetheless, the political elites in South Korea and the United States mostly hopeful that Beijing will eventually get tired of its ally’s intractability and come to the conclusion that the negative effects of its support outweigh the positive. However, the most seasoned experts feel that this can only come to pass with the next generation of Chinese leaders.

We believe that the expectations and, quite often certainty, shared by certain political circles in the United States and South Korea that, under certain circumstances, China would be able to let North Korea down, is an illusion. The probability of such a scenario is small. The arguments to substantiate our viewpoint are as follows:

- Accepting the loss of North Korea would mean losing the Korean War, squandering its achievements in this particular diplomatic game over a battlefield 60 years after the fighting ended, and betraying the memory of nearly one million Chinese killed in action in Korea. The loss of Pyongyang and assimilation of North Korea by South Korea would also inflict irreparable damage to China’s international prestige. It would imply that China is unable to defend its core national interests and bends to U.S. will even on its borders or when defending its ally.
- It would be extremely difficult to imagine that Beijing would agree to lose its strategic ally, a buffer protecting vitally important areas of its national territory amid deteriorating relations with Washington, which is a long-term process. Suggestions that China can be reassured that, if South Korea were to assimilate the North, the infrastructure of the U.S.—South Korean armed forces would not move closer to the Chinese borders and their interests and property in North Korea would be secure, seem unconvincing.

Nonetheless, it is important to note that over the recent months these hopes have been significantly substantiated – upon Pyongyang’s third nuclear test. The South Korean media were enthusiastic about the fact that Beijing has finally started to significantly toughen sanctions against Pyongyang. The directive issued by the Chinese Ministry of Transport on April 17, 2013 about implicit compliance with the provisions of UN Security Council Resolution Number 2094 drew particular attention. Indeed, border control was unprecedentedly thorough – every container holding North Korean cargo is subject to inspection at the border railway checkpoint in the city of

Dandong and port of Dalian. Identical instructions were issued to the People's Bank of China, security services, customs and border guards units.

Naturally, not enough time has passed to allow us to draw broader conclusions on possible changes underway in China's approach to the Korean issue in the light of the events of "hot spring" of 2013. Almost every day brings new reports indicating a shift in direction. On May 7, 2013 a Hong Kong source reported that China had decided to refrain from carrying out operations of the North Korea Foreign Trade Bank, which is included on the list of restricted entities under unilateral U.S. sanctions (not the UN Security Council ones). Naturally, this is far from being the only North Korean financial institution operating in China, and the decision would not be fatal to North Korea's foreign trade operations. However, a degree of damage in this sphere is inevitable. The key point is that the analysts have yet to understand the scope of financial restrictions that Beijing is ready to authorize against North Korea.

China—DPRK Relations: Development Prospects

Based on available data we believe that the most likely scenario for the development of China—North Korean relations would be retaining the status quo, albeit slightly modified. One immutable fact is that, despite China's tougher approach to inspecting North Korean cargo, Beijing has not yet adopted any decision in principle on a reduction of economic cooperation with North Korea. True, over the first months of 2013 the volume of bilateral trade between the two countries fell by 7%, but this not enough to base long-term predictions on. There is a certain feeling of uncertainty or unease among Chinese businessmen in Korea, while a more important factor is (as claimed by competent Chinese representatives in Dandong) as follows: "Trade between China and North Korea is coordinated at government level; we do not cut any ice here. The situation did not change." Western observers enthusiastically welcomed the news that deliveries of crude oil from China to North Korea were suspended in March, however, in April the volume supplied reached 10,600 tons – nearly a quarter of the total volume delivered in 2012. Exports of Chinese aviation kerosene and coal from Korea, trade items vitally important to Pyongyang, continue at established levels.

The Chinese economic advance was supported by powerful ideological backing. A massive campaign in reappraising history that was launched in 2002 by the Institute of Archeology at China's Academy of Social Sciences and other research centers as part of

the North-Eastern Project was aimed at finding evidence to support the theory that a number of ancient Korean states, such as Kogure, were, in fact, Chinese provinces. Many analysts suggested that these efforts were paving the way for future territorial claims to Korea. Overall, those and other factors fuelled fears among the South Korean public over potential secret Chinese plans “to turn North Korea’s northern provinces into the fourth province of north-eastern China.” Moreover, they also became the reason for an in-depth examination of the issue by the U.S. Congress. In their report on “China’s Impact On Korean Peninsula Unifications and Questions for the Senate” the authors recognized the presence of a serious challenge to future inter-Korean relations posed by China’s massive economic presence in the north of the peninsula and the signs of a nascent economic integration in the areas adjacent to the both sides of the China—North Korea border.

Moreover, Beijing reserves the right, and it has informed the U.S. Senate of this, to deploy, in extremis, its troops along the border (on the Korean side) in order to block the inflow of refugees from Korea to China. Beijing’s strongly-worded address to North Korea, the United States, South Korea and Japan at the peak of the crisis in spring 2013 revealed China’s desire to take on the role of peace-maker and intermediary in the peninsula, and also to bring the “brazen bullies” down a peg or two. China’s leadership declared that it would prevent any squabble on its borders, and warned Pyongyang against dangerous underestimation of the potential negative consequences; they also warned South Korea that under any conflict scenario it would be the main victim, and that therefore it must actively work to cool tensions instead of depending on (and responding to) North Korean and U.S. moves; also advising the United States to refrain from “adding fuel to the fire,” and warning Japan against “fishing in troubled waters”.

De facto, this competition between Beijing and Seoul for influence in the north of the Korean Peninsula is unlikely to escalate into a war, instead, it is more likely to continue in the diplomatic and economic spheres. Therefore, the most probable development scenario for Chinese relations with the two Korean states would be a sustained policy aimed at preserving the status quo and stability in the Korean peninsula, and resolving the nuclear issue via negotiations, preferably, within the renewed six-party format.

Victor Larin

The Threat of Armed Conflict on the Korean Peninsula⁹²

Today as never before in the last three decades, East Asia faces the threat of full-scale war. The outbreak of military hostilities in the Korean Peninsula might be provoked by one of the sides in an escalating conflict (the DPRK or the ROK) or by the actions of “a third force” (the U.S., China, Russia and Japan), or even happen as a result of the unexpected interaction of several unrelated factors.

The North Korean Threat

The threat that the long time military opposition between North and South Korea will escalate into a real war is mostly associated today with the policies of Pyongyang. Threats voiced by North Korean leaders against the USA and South Korea, supported by the demonstration of DPRK military potential, including nuclear missiles, do not appear now to be purely propagandist rhetoric. The aggravation of the crisis has compelled the parties involved to more clearly and distinctly formulate their positions and approaches, which allows us to forecast with greater or lesser probability the actions they may take to resolve the scenario, if it escalates to the stage of armed conflict.

Any political crisis in the Korean Peninsula that grows into an armed conflict represents a serious threat to the population and the economies of the Southern areas of the Far Eastern Federal District and primarily Primorsky Krai. One can single out among the real threats the disruption of navigation in the Sea of Japan area and international and domestic air traffic; radioactive, chemical and biological contamination of sea and offshore areas of the Primorsky Krai; unauthorized or provocative use of air or missile forces by the parties in hostilities against the Russian territory; and finally the mass exodus of refugees from the DPRK through land and sea borders to the Yanbian Korean Autonomous Prefecture in China and partially to the Khassansky district of Primorsky Krai. The influx of refugees to Primorsky Krai will entail a rapid deterioration of sanitary and epidemiological, criminal and socio-economic conditions in the resettlement areas and will require the engagement of considerable resources and forces at the federal, regional and territorial levels.

In spite of demonstrated toughness and aggressive declarations, the North Korean regime does not appear to be suicidal or prepared

⁹² This paper was prepared on the basis of a situational analysis “The Potential Collapse of DPRK and its Effects for the Pacific Russia” which took place on 18 April, 2013, in the Institute of History, Archeology and Ethnography of the Peoples of the Far East, Far Eastern Branch of the Russian Academy of Science. L.N. Garusova, S.A. Ivanov, A.V. Polutov, I.A. Tolstokulakov participated in the discussion.

to unleash war against South Korea and the U.S. From the standpoint of today (as of end of April 2013), the intentional aggravation of the situation and provocations by the North Korean side during the winter of 2012 and 2013 are seen in a slightly different way than what had happened in January and February of 2013. To be more precise, what has happened looks like a skillful manipulation of the fears and misperceptions of the international community in order to achieve North Korea's own domestic goals. The new DPRK leadership had effectively exploited the slogan of "external threat" and "national unification" to concentrate resources in selected areas and at the same time to contain and rechannel social protest activity of the population. In actuality, despite the wishes and forecasts of the West, the DPRK has consolidated its popular masses using patriotic momentum conjured up to repel external threats. Currently the national patriotic factor outweighs all others in the minds of citizens. The power and people (at least its majority) are ready to repel external aggression and will fight to the end.

Military conflict may occur as a result of developments in the domestic situation in North Korea, such as if the DPRK collapses and the current ruling regime personified by the Kim dynasty falls. Theoretically, the collapse may happen in the wake of a sharp deterioration in the social cleavages within the country caused by a deep economic crisis, or, as a result of a power struggle within the North Korean elite. The consequences may be mass unrest, leading to an outbreak of a civil war and a mass exodus of refugees from North Korea, which will require the direct involvement of the international community, and primarily North Korea's closest neighbors, including Russia.

Nevertheless, over the next several years, such a scenario seems quite unlikely. First, there are no symptoms of the near collapse of the North Korean economy which would provoke social unrest and civil war in the country, requiring interference from outside powers. Although the basic symptoms of recession are present and growing stronger in the DPRK's national economy, such as the continuous decline of production, distortion and disruption of existing economic relations, an imbalance of supply and demand, the continuous depreciation of national currency, and thriving corruption and shadow economies, North Korean society, which over decades has been accustomed to settling for less, appears rather united. On the other hand, the regime is actively demonstrating to the world and its own population that it is willing to transform and even modernize itself. Taking into account the extremely limited investment resources of the country as well its technological backwardness, autarky and

adherence to what looks like strict communism, this demonstration may be nothing but a propaganda trick intended to stabilize the situation in the country in order for the government to parasitize sufficiently long enough under the smokescreen of pseudo-reforms.

Second, the events of recent months have shown that despite obvious challenges to political stability in the country, there is no immediate domestic threat to the ruling clan. The political opposition is non-existent. No new forces have been observed there moving to the front of the political scene and opposing the existing power structure. It is likely that for the sake of self-preservation of the state and the regime itself, the old elites do not intend to rock the boat. Representatives of the younger generation who have risen to middle levels of management will have still to work hard to gain authority and to challenge the veterans of the party and the army.

Hence, military conflict initiated by the North Korean side is quite unlikely, although its actions during various escalations may unintentionally provoke its opponents – the U.S. and South Korea – to take more resolute steps.

Today in spite of serious threats to the stable and secure development of the entire region created by the policy of the DPRK leadership, primarily its nuclear and missile program and militarist rhetoric, no one among North Korea's neighboring states is interested in the aggravation of conflict and its escalation into military confrontation; none also intend to take any military measures against Pyongyang.

The Position of the U.S., Japan, and the Republic of Korea

The official position of Washington with regard to North Korea was formulated by President B. Obama on 12 February, 2013, after the DPRK nuclear test: North Korea's nuclear weapons and ballistic missile programs "constitute a threat to U.S. national security, and to international peace and security".⁹³ The U.S. is steadfast in its defense commitments to South Korea and Japan, including providing a "nuclear umbrella". However, in its attempts to influence the North Korean regime, the U.S. gives preference to peaceful means. There is no possibility that the U.S. would interfere militarily in the situation on the Korean Peninsula, but as has been written in the operational plans of Washington, the U.S. armed forces' invasion of the territory of North Korea is possible only after the DPRK launches military actions against South Korea. In such an event, an operational plan of large-scale war against North Korea was developed back in the

⁹³ Statement by the President on the North Korean announcement of nuclear test. February 12, 2013. URL: <http://www.whitehouse.gov/the-press-office/2013/02/12/statement-president-north-korean-announcement-nuclear-test>

1990s. At present, this plan is being substituted by another plan adjusted for “asymmetric and irregular military threats”. The transition period has been established for 2010–2015, which complicates the implementation of both plans in the event of force majeure circumstances.

Today the U.S. is trying not to provoke North Korea in any way, so as to avoid military confrontation with the DPRK and thus prevent the start of a new Korean War. The United States rejects such measures for various reasons, both economic and political, and not in the least in fearing the “intervention of China’s armed forces in the Korean Peninsula” as a reaction to its own actions. For this purpose, the U.S. is using various means, including diplomatic demarches to the governments of China and Russia asking them to “influence” North Korea. The U.S. especially values its relations with China. As the special U.S. representative for North Korea Glyn Davies stated, “Close U.S.—Chinese consultations on North Korea will remain a key locus of our diplomatic efforts in the weeks and months ahead”.⁹⁴

The United States is not interested in the collapse of the North Korean regime and will even attempt to prevent it from happening in the near future.

The collapse of the regime would require subsequent measures to reform the DPRK economy, establish new political institutions, provide and social support to the impoverished population, *etc.*, all expensive and politically problematic undertakings (from the viewpoint of potential outcomes and future benefits) for Washington and Seoul.

However, in case of deterioration of the situation on the Peninsula, for example the collapse of the current authorities, greater social unrest, or in the worst case civil war, the threat of losing centralized control over nuclear weapons will compel the ROK, other neighboring countries and the U.S. to deploy their troops on the territory of North Korea. According to expert estimates, conducting such an operation to search for nuclear weapons and materials will require a contingent of 300 thousand troops.

In the absence of preliminary arrangements between the U.S. and China, one cannot exclude the possibility of local clashes between American and Chinese armed forces over control of the North Korean nuclear arsenal with an ensuing full-scale war (Korean War 2.0). However, the scenario of a new Korean War does not suit Washington, since its outcome is not guaranteed and does not ensure the unification of the two Koreas under the leadership of Seoul.

⁹⁴ Glyn Davies. U.S. Policy Toward North Korea. Testimony Before the Senate Committee on Foreign Relations. Washington, DC. March 7, 2013. URL: <http://www.state.gov/p/eap/rls/rm/2013/03/205691/htm>

In the meantime war might lead to a dramatic deterioration of relations with China. Therefore, the collapse of the North Korean regime does not appear to be the preferable option for Washington primarily because of unpreparedness of the U.S. to wage war and its unwillingness to spoil relations with China.

Ironically, the Republic of Korea is the country most interested in launching preventive strikes against North Korea,⁹⁵ although these declarations in essence are also mostly propagandistic. The new leaders in Seoul in the same way as their colleagues in Pyongyang are trying to emerge from the crisis by “saving face” and shifting the burden of responsibility onto the “western barbarians”.

In all appearances, the U.S. and ROK do not foresee a possibility of a DPRK attack using nuclear weapons, but deem it necessary to be prepared to repel “local armed provocations”. On 24 March 2013, the Chairman of the Joint Chiefs of Staff of the Republic of Korea armed forces Jeong Seung-jo and the Commander of the U.S. forces in Korea General James Thurman signed a joint plan to counter such North Korean provocations. “Local provocations” are understood as limited armed conflicts in a selected area with limited political or military goals. This document makes it possible to mount a tough response to such incidents: if the DPRK launches a strike across the Northern military demarcation line or Demilitarized Zone, the first riposte will be delivered by the Korean troops, later supported by U.S. forces.

Already during in the first half of the 1990s, the Japan first developed, and now is continuously adjusting its contingency plans in the event of an emergency situation on the Korean Peninsula. There are reasons to believe that these actions would consist of the following.

Tokyo will actively engage with Washington and Seoul and undertake diplomatic steps for the cessation of the conflict and its peaceful settlement which includes involving on its side of China, Russia and leading European countries. The Self-Defense Forces of Japan will not directly participate in the hostilities on territory of DPRK unless a special emergency situation arises, and will perform the logistic and support missions for U.S. combat groups; secure and defend naval bases; escort military and civilian convoys in the straits’ areas; and control navigation and conduct minesweeping operations. After the end of an armed conflict, Japan may send to North Korea a provisional military contingent formed from the units of all armed services of Japan and specialized civilian expert teams

⁹⁵ During the February (19–24 February, 2013) Joint U.S.—ROK exercises against potential attacks by Northern submarines the South Koreans asked the Americans to launch a preemptive strike against the DPRK nuclear targets.

to take under control North Korean ports along the Eastern seaboard and contiguous territories.

In any scenario on the Korean Peninsula, Japan will take important steps to defend its positions, build up its political and economic influence in North Korea, and ensure access to its resources, which are of significant interest to Japan, let alone the strategic geographic location of the Korean Peninsula in Northeast Asia.

China's View on the Korean Issue

The position of China with regard to the Korean Peninsula issues over the recent decades has been sufficiently clear and consistent in their maximum efforts to preserve the status quo. With a high degree of probability, China will not openly interfere in any developments on the Korean Peninsula, let alone to save the North Korean regime by military intervention. First, in any event China would benefit if that regime collapses and China together with the Western world jointly participates in post-conflict management. Second, a unilateral military intervention by China, including military assistance to Pyongyang, will at best strengthen anti-Chinese feelings among its neighbors and at worse actually lead to the establishment of an anti-Chinese block on the periphery of China, with U.S. support. The main geopolitical problem of the Chinese state is its nearest geographic environment. Even the typical non-belligerent policy of Chinese leaders over recent decades has not prevented an increase in suspicions among neighboring countries about the "Rise of China".

The leadership of China today is addressing more important strategic tasks: establishing a new world order more favorable to it, intentionally distancing itself from the ideas of communism, and preventing the escalation of anti-Chinese sentiment in the neighboring countries and the formation of an anti-Chinese coalition on the perimeter of China. Hence, Chinese authorities will refrain from unilateral engagement in the armed conflict and will seek compromises with the U.S. and its allies in working out collective solutions.

China, in the event of a DPRK collapse does not intend either to revert to unilateral actions in saving the North Korean regime or even more so to engage in open military confrontation with the U., ROK and Japan. By and large, the collapse of Communist Korea is advantageous to China. On the one hand, it will become another important reason for the political elite of China to claim that the political course chosen for China by Deng Xiaoping and followed

by the current leadership was correct. On the other hand, the collapse will allow China to get rid of a political anachronism by way of its special relationship with the DPRK. Thirdly, once the Korean Peninsula issue is solved, the U.S. will have much less moral legitimacy to increase its military presence in Northeast Asia, and Japan for building up its “self-defense forces”. The most negative of potential consequences is the establishment of a common border with U.S. allies (if we admitted that after the collapse the unification of two Koreas will happen), which will only insignificantly affect the geopolitical situation of China, which for decades has successfully coped with more serious challenges (Taiwan, the Muslim world in the West, India, etc). The collapse of the DPRK and the refusal of China to provide support to the North Korean regime will be painlessly justified by the Chinese leadership with reference to its sincere commitment to the basic principles of the existing international system and flexible wisdom of the specifics of Chinese communism.

* * *

The stance taken by the international community in portraying North Korea as a “rogue state” that can be either reformed or destroyed, instead of a “soft” transformation of the Pyongyang regime, contributes to its conservation in an unchanged form, and the growing potential of its collapse with the most abrupt and negative consequences for neighboring countries. Perhaps, it would be more appropriate to remove the factor of external threat by creating for Pyongyang more natural conditions of existence. Then the natural course of events will force the North Korean leadership to start reforms for recovery from the deep economic crisis. Otherwise, if this does not happen, the living standard of population will continue to deteriorate, thus pushing people to become more socially active with a growing risk of social unrest.

IV. PROPOSALS FOR PROMOTING RUSSIA'S INTERESTS IN ITS RELATIONS WITH THE REPUBLIC OF KOREA

If interaction between Russia and the Republic of Korea is to serve as **an instrument to uphold Russia's interests**, Russian—Korean (South Korea) relations have to develop within a paradigm of strategic partnership and include coordinated action on political issues, combined with efforts to identify common approaches to key problems of world politics. On the practical plane, this approach should include:

- *Demonstrating*, in the course of Russian—South Korean top-level meetings and consultations at the level of the two countries' foreign ministries, *that Russia's understanding of strategic partnership with other states includes interaction within the UN and other international organizations in dealing with crucial issues of peace and security*. This principle should also be applicable to solution of the Korean problem, which means that strategic partnership with the Republic of Korea implies constructive collaboration between the two countries within the framework of the six-party talks;
- In view of the fact that the Republic of Korea has incorporated the provision of strategic partnership, in addition to that with Russia, in joint documents signed with the People's Republic of China, *launching talks on the Korean issue in a three-party Russian—Chinese South Korean format*;
- *Supporting* the initiative of the new South—Korean administration on cooperation in security matters in Northeast Asia (*NEA Security Cooperation Initiative*) aimed to guide a new impetus to the current mechanisms of dialogue in the region;
- Proceeding from the pragmatic premise of the necessity to *stop linking together the economic and the political components in the two countries' relations*, any success of joint projects and business ventures should not depend on differences over the Korean problem.

At the same time, the **security issues on the Korean Peninsula** are bound to have an impact on the Russia—ROK relations. Russia's participation in Korean settlement should be constructive and objective. In order to achieve positive dynamics in the development of the situation on the Korean Peninsula, the following steps have to be taken:

Analyzing the prospects to establish working relations with the new North-Korean leader Kim Jong-un by *sending a high-ranking Russian*

official to Pyongyang for talks with him, and inviting Kim Jong-un to pay an official visit to Moscow. The young DPRK leader's involvement in international contacts will make it possible to weaken the influence of conservative quarters of the North Korean elite on him:

- Arranging a *special meeting of the Russian and Chinese foreign ministers* to discuss the Korean problem;
- Taking measures to set up *working groups* comprised of representatives of Russian public organizations and academic and business communities, and, furthermore, of the Russian ethnic Korean community who should take up the Track II with representatives of both Korean states, and look for ways to *overcome the differences arising between experts of Russia and the Republic of Korea concerning interpretation of key events in the history of the two countries and their bilateral relations in the 20th century*;
- Coming out insistently with an initiative to *call a new summit meeting between the two Koreas, with Russia as host country*, thus emphasizing Russia's interest in Korean settlement;
- Working for *DPRK's emergence from international isolation*, renunciation of extended interpretations of UN sanctions, and for expansion of economic relations with the DPRK;
- *Calling on the UN to adopt a declaration sealing an end to the Korean war* and recognizing legally the de facto existing situation;
- Looking into an option for Korean settlement by *crossways bilateral agreements between the states within the six-party format*, which should enshrine the parties' rights and duties and the mechanisms to *monitor the implementation of these agreements' provisions*. The parties monitoring the bilateral agreements could be the states within the six-format rather than any international organizations.

Bearing in mind South Korea's considerable potential in the area of innovative economy, it is clear that Russia can benefit appreciably from **trade and economic cooperation with the ROK**. The following steps have to be taken in this connection:

- *Assessing the prospects of signing a free trade agreement with the ROK*. The regime resulting from the agreement will create difficulties for Russian manufacturers of certain types of products. But on the other hand, the absence of a free trade agreement between the ROK and Russia may lead to a situation where Russian businessmen will find themselves at a commercial disadvantage as compared with their counterparts from numerous countries that do have this kind of agreements with the Republic of Korea. All in all, greater economic integration between Russia

and the Republic of Korea will be instrumental for the Russian foreign policy leadership in pursuing its course towards the country's active participation in the Asia-Pacific region. And, in turn, Russia's overall integration in the Asia-Pacific economic space will also help develop Russian—Korean trade and economic relations;

- *Working out cooperation projects in a three-party format (Russia—ROK—DPRK) in the areas of common interest*, like energy, sustainable development, transport and logistics in addition to the reconstruction of the Trans-Korean Railway and linking it to the Trans-Siberian Railway, building the Trans-Korean pipeline and uniting the three national power networks into the Asian Super Ring;
- Carrying out *an inventory of frozen projects of economic cooperation* and looking into a possibility of resuming the most promising of these;
- In drawing up further plans to attract South-Korean partners to participation in economic development plans in Russia's eastern regions, *envisaging measures to simplify administrative procedures*. This should include, inter alia, simplification of customs clearance and immigration control practices, measures to protect joint ventures against criminal and corruption schemes, improvement of insurance and arbitration services, etc. In the development of an institutional framework of Russian—Korean economic cooperation, due attention should be given to regional structures of economic integration, so that bilateral cooperation would contribute to multilateral and vice versa;
- Drawing on the *experience of the joint project with Hyundai Heavy Industries* in the area of agricultural production as a model of *Russia—ROK investment cooperation* that makes it possible to enhance the efficiency of production and cut down on expenses;
- Taking measures to attract South-Korean counterparts to participation in the project to *construct a factory for liquefying natural gas in the vicinity of Vladivostok* (the Vladivostok LNG Project), and *updating the proposal for participation in the Asian Super Ring Project* that envisages integration of the energy systems of Russia's Far East, China, Mongolia, South Korea and Japan, with Siberian and Far Eastern power stations to be its chief donors, and Russia becoming the key hub for daily redistribution of energy traffic among the countries involved;
- *Expanding Russia—South Korea cooperation in peaceful use of nuclear energy*. In view of the growth of the nuclear power industry in the ROK and considering the large amounts of Russian fuel

deliveries for South-Korean nuclear power plants (Russian deliveries cover more than one-third of the ROK nuclear fuel requirements), *raising the matter with the South-Korean side concerning its involvement in the International Uranium Enrichment Center in Angarsk (eastern Siberia)*;

- *Stepping up interaction in the health service area* – creation of clinical centers and development of telemedicine and remote diagnostics. This cooperation will have a strong innovative and socially oriented component that is especially important for East Siberia and the Far East. Moreover, results of this kind of cooperation may also be used in other Asia-Pacific countries;
- Promoting reciprocal contacts of the two countries' investors by *arranging trade fairs, exhibitions and investment tours*. Furthermore, the range of third countries and areas has to be identified where Russia and South Korea have prospects for joint investments;
- Envisaging measures to *expand the training of specialists in commerce and economics versed in the Korean language, Korean law and specific traits of Korean trade practices*, to work in the area of Russian—Korean trade and economic cooperation with a special emphasis on small and medium-size business, with the basics of Korean law and business culture included in the curricula for students specializing in Korea and studying the Regional Studies course;
- *Creating special conditions for business in the regions of eastern Siberia and the Far East* with priority provided for these regions over the European part of Russia, and for foreign-trade-oriented Korean manufacturers. The list of industries with good prospects could include petro- and natural gas-chemistry, timber industry, pulp and paper production and fish and seafood processing.

It is absolutely obvious that Russian—Korean cooperation needs a favorable humanitarian and information background to support it. **In order to improve Russia's image** among South Korea's population, the following measures should be reasonable:

- Making it a standing practice to *carry out state-supported events addressed in the first place to the Korean young people*, events such as Russian culture festivals and concerts of popular performers. Considering the language barrier difficulties that Russian performers may encounter, it should be reasonable to give priority to visual arts that can attract broad audiences, such as modern ballet and circus, popular motion pictures and animated films;

- *Preparing projects* of joint TV programs in conjunction with South-Korean TV channels and launching publishing programs *in collaboration with leading South-Korean media* modeled after Russia Beyond the Headlines;
- *Enrolling Koreans* who have learnt Russian *and Russian students* taking training or internship in the ROK *for work in the Russian mass media as string correspondents and bloggers*;
- *Promoting academic exchanges* by sending Russian scientists to the ROK to deliver lectures and seminars on Russian culture and history at Korean universities;
- *Taking measures to make Russia host the round tables and scientific conferences on the Korean problem*, so as to be able to set the agenda and trend of the discussion;
- *Expanding the application of social networks* in the activities of Russian journalists, information agencies and cultural centers, which should also serve the purpose of reaching out to broader audiences of young people;
- *Raising the status of the Rossotrudnichestvo mission in Seoul* to the full-fledged Russian Science and Culture Center;
- Among the institutions of soft power, *rendering priority support to the Russian organizations already existing in the ROK, and carrying out regular monitoring of their activities for the purpose.*