

2010년도 KINU KOREA-RUSSIA
민간전략대화 및 국제적 공동연구

Russian National Strategy and ROK - Russian Strategic Partnership in the 21st Century

edited by Jung-Ho Bae and Alexander N. Fedorovskiy



2010년도 KINU KOREA-RUSSIA
민간전략대화 및 국제적 공동연구

Russian National Strategy and ROK - Russian Strategic Partnership in the 21st Century

edited by Jung-Ho Bae and Alexander N. Fedorovskiy



Korea Institute for
National Unification



Russian National Strategy and ROK–Russian Strategic Partnership in the 21st Century

Printed December 2010
Published December 2010

Published by Korea Institute for National Unification(KINU)
Publisher President, Korea Institute for National Unification
Editor Center for International Relations Studies, KINU

Registration number No.2–2361(April 23, 1997)
Address 275, 4, 19(Saillgu)–Gil, Gangbuk–gu, Seoul, Korea(zip code 142–728)
Telephone (82–2) 900–4300; (82–2) 901–2527
Fax (82–2) 901–2543
Homepage <http://www.kinu.or.kr>

Design · Print Yeawon Creative House Co., Ltd.(82–2) 745–8090

ISBN 978–89–8479–570–9 93340

Price ₩13,500(US\$13.50)

Copyright Korea Institute for National Unification, 2010

All KINU publications are available for purchase at all major bookstore in Korea.
Also available at Government Printing Office Sales Center
Store (82–2) 734–6818; Office (82–2) 394–0337



Russian National Strategy and ROK - Russian Strategic Partnership in the 21st Century

The analyses, comments and other opinions contained in the this monograph are those of the authors and do not necessarily represent the views of the Korea Institute for National Unification.

Preface

Northeast Asia and the Korean Peninsula are regions where the interests of G4, which are the United States, Japan, China and Russia, are interconnected. The interconnection of these countries' interests can affect the stability and prosperity of the Korean Peninsula and South Korea's policy toward North Korea. Therefore, Korea Institute for National Unification (KINU) has been actively developing policy exchanges with major countries such as the United States, Japan, Russia, and Germany since its establishment in 1991.

In the case of Russia, The Center for North Korean Studies at KINU has been building policy networks with Russia's major institutes such as Institute of World Economy and International Relations (IMEMO), Institute for Far Eastern Studies of the Russian Academy of Sciences (RAS), and Moscow MGIMO University of the MOFA of the Russian Federation, making efforts in exchanging experts. This is because Russia plays a critical role for the peace and prosperity of the Korean peninsula in the process of working towards, and after, unification. Russia also needs Korea as an important "strategic cooperation partner."

This study aims to strengthen trust between Korea and Russia through promoting mutual understanding and improving the quality of policy network. The study is the outcome of the joint research of KINU and IMEMO. As the editor of this volume, I hope this study

may help experts, students and readers in Korea and in the countries surrounding the Korean Peninsula to have a clearer understanding of Russia's national strategy, Northeast strategy, Far East and Siberia strategy, and the importance of the "strategic cooperation partnership" between Korea and Russia.

I think this research, along with the participation of representative experts of Korea and Russia, will be useful in grasping Russia's foreign perspective and strategy and to understand its foreign policy that it pursues.

Jung-Ho Bae

(Director of the Center for International Relations Studies at KINU)

Alexander N. Fedorovskiy

(Head of Section for Pacific Studies at the Institute of
World Economy and International Relations, IMEMO)

Introduction

1. The Peace and Prosperity of the East Asian Region in the 21st Century and the Strategic Importance of Russia

Northeast Asia and the Korean Peninsula are regions where the interests of G4 powers are interconnected. Moreover, the issue of the Korean Peninsula is both an inter-Korean issue and an international issue. In other words, the interconnection of the strong powers' interests in this region may greatly affect the stability and prosperity of the Korean Peninsula and the policy toward North Korea and unification of the Korean government.

The interconnection of Northeast regions such as the United States, Japan, China, Russia, and the Korean Peninsula may also affect the resolution of the nuclear issue, the establishment of a new peace structure, and North Korea's joining of international society and regime transformation.

In light of this perspective, Russia is strategically as important as China. In Korea's position, the strategic importance of Russia is as follows:

First, Russia is very crucial to strategically hold China in check in the settlement of the Korean Peninsula issue. China neglected the moral of its foreign policy on the Cheonan sinking incident and Yeonpyeong attack where it was busy "siding" with North Korea.



Such behavior as previously demonstrated by China has disappointed not only the Korean public but also the international society. In other words, so far from helping the settlement of Korean Peninsula issue which is for the peace and prosperity of the Northeast region, China's foreign behavior is an obstacle. China is promoting the maintenance of the status quo by "stitching up" the North Korea issue rather than actually solving the problem.

Russia can take a strategically important role in reversing China's such policy stance and position towards the Korean Peninsula. Russia is inwardly keeping China, which has risen as G2, in check and has been supporting the peaceful unification of the Korean Peninsula. In other words, Korea and Russia have common interests in terms of the strategies of cooperation and restraint toward China.

Second, Russia is strategically important to secure energy resources for the development of Korea. The Far East and the Siberia region are the repository of natural resources such as oil and natural gas; thus, many countries have been competitively advancing projects that reach hundreds of millions or tens of billions of dollars. The resource development of the Far East and Siberia is not only the lifeline of Russia's future but also of significance to the future of the Korean economy because of Korea's geoeconomic proximity to the region. Therefore, Korea is discussing the ways to bring the natural gas of Far East and Siberia region through vessels or pipelines passing by North Korea and through linking Trans-Korean Railway (TKR) and Trans-Siberian Railway (TSR).

On the other hand, Korea is very important for the national interests

of Russia as well. Korea is crucial to Russia in pursuing the development of Siberia and Far East holding China in check. Especially, when “the capital and technology of South Korea + labor of North Korea” is invested in the development of Siberia region, it will contribute to Russia’s economic development, including the inducement of Japan’s investment. Also, the investment of unified Korea into Russia and Russia’s development will effectively keep China in check.

Therefore, in light of the strategic significance of Russia, Korea should develop its strategic policy toward Russia and impress on Russia its strategic importance for Russia’s national interest.

To accomplish this, Korea should make strategic efforts to harmonize the interests of the Korean Peninsula and Russia, and should, in particular, analyze and study what concerns Russia most in the case of Korea-led unification. In other words, Korea should persuade Russia that a unified Korea is more beneficial than a divided Korea in terms of the national interest of Russia, namely its check policy toward China and its pursuit of the development of Siberia.

2. Main Structure and Contents of This Book

This book is designed based on the conceptualization described above. The purpose of this joint project between Korean and Russian specialists is to increase the mutual understanding of both countries, to strengthen the trust relationship, and to further the quality of policy networking. In 2010 it has been stressed that specialist viewpoints should be of foremost consideration, and this book is the outcome of a collaborative research effort.

This book is the product of a joint project between the Korea Institute for National Unification (KINU) in the Republic of Korea and the Institute of World Economy and International Relations (IMEMO) in the Russian Federation.

IMEMO is renowned worldwide and especially in Korea, as Korean political elites and scholars had visited IMEMO even before the normalization of foreign relations between two countries on September 30, 1990. IMEMO has a solid reputation in the fields of international relations and economic issues, with the most globalized research capacity in Russia.

KINU and IMEMO worked together to research the major problems Russia is facing in international relations and the current issues on which Korea and Russia must cooperate in the future. The ultimate goal of this kind of project is to establish a genuine Russia-Korea “Strategic Partnership” through academics.

All the articles in this book represent subjects vital to the present and future development of Korea-Russia relations. Its contents can be

categorized into two areas.

The first subject area is issues of Russia's diplomacy and general security strategies, including Russia's foreign and security strategy in the 21st century, Russia-U.S. relations, Russian Security Strategy toward Northeast Asia and the North Korean nuclear issue, and regional cooperation in the Russian Far East and Siberia.

Sergei Chugrov, a professor at Moscow State University of International Relations (MGIMO), reviewed Russia's general strategic thinking on international relations in his article, "Russia's Foreign and Security Strategy in the 21st Century."

Chugrov's article points out that Russia will become increasingly able to exert its influence in world politics, the global economy, and global finance as an active, equal actor as it recovers from the downgrading of its status in world arena which it suffered in the 1990s. He emphasizes that Russia is not an irrational actor in international relations, countering the claims by some Western observers that Russia has "a hidden agenda" or "neo-imperial aspirations." Chugrov expresses his opinions on various aspects of global affairs, including NATO, EU, CIS and Caucasus, and Russia and Asia.

Vladimir Sizov, head of the Center for Military-Strategic Studies at the Institute for U.S.A. and Canadian Studies (ISKRAN) of the Russian Academy of Sciences, explained the current issues and prospects of Russia-U.S.A. relations through his paper, "Changes in Russia-U.S. Relations and New START." Russia and the U.S.A. have managed strategic nuclear issues successfully by means of New START.



Although the “reset” between Russia and the U.S.A. succeeded in changing the atmosphere of bilateral relations and promoting cooperation, it did not bring about fundamental changes in Russia-U.S.A. relations. Sizov assesses that strategic cooperation, in its broadest sense, should not be a part of the mutual agenda between the two countries, since Russia and the U.S.A. have had different goals from the beginning, and this difference will be a hindrance to developing productive Russia-U.S.A. relations.

Vasily Mikheev, vice president of IMEMO, has written many papers on the Korean peninsula, and is renowned for his rational thinking on Korean issues. He provides an introduction to Russia’s general attitude on security and the North Korean nuclear issue in his article, “Russian Security Strategy in Northeast Asia and the North Korean Nuclear Issue.” Mikheev emphasizes the 6 Party Talks as a singular and efficient policy for achieving the nuclear disarmament of North Korea, and also agrees that the form of a future unified Korean peninsula should be a free market and liberal democracy. North Korea must learn how to apply free market and democratic principles before achieving full unification with the South. Therefore, the North will need time to learn “how to catch fish” in a market economy, with the South’s assistance. Mikheev also presents optimistic viewpoints on strategic aspects, inspiring new hope by suggesting the possibility of turning the 6 Party Talks into a permanent mechanism for security cooperation in Northeast Asia.

Georgy Toloraya, the director of Korean research at the Institute of Economic of the Russian Academy of Sciences and an expert with decades of experience in Korean affairs as a diplomat, identifies the



current issues in Korea-Russia relations and the direction of their relationship in his article, “The Russia-ROK Quest for a Strategic Partnership: Problems and Implications in Security Cooperation.” He negatively evaluates the current state of the “strategic partnership” relationship between two countries, explaining that the national strategies of the two countries diverge and should be adjusted accordingly. Russia sees the Korean peninsula from a geopolitical point of view, prioritizing stability on the Korean peninsula and advancing its economic interests. The ROK sees “victory” over North Korea and the resolution of the Korean problem on its own terms as the principal goal, while economically Russia is seen mostly as a raw materials source, not a long-term partner for economic and technological advancement. Nevertheless, Toloraya points to welcome signs in Korea-Russia relations such as the discussion of Russia’s modernization agenda which began in 2010 at the Russian president’s initiative, and which has highlighted Korea’s reliability as a partner in modernizing the Russia’s economy.

The second subject area concerns the economic relations between the Korean peninsula and Russia, including the Tuman River Area Development Project, the Russia-to-Korea railroad connection 5project, Korea-Russia relations, etc.

Alexander N. Fedorovskiy, a professor at IMEMO, evaluated the current situation and the possibility for cooperation between the Russian Far East and the states of Northeast Asia in his paper, “Main Trends and Prospects for the Russian Far East/East Siberia Region’s Cooperation with Northeast Asia.” He defined three models of foreign

trade with the Northeast Asia region as common and specific features applicable to the territories of the Russian Far East region: the export model, the import model and the balanced model. The reason why the types of foreign trade in these territories differ is that the economic structures of the Russian Far East territories differ from each other quite significantly. Fedorovskiy also concretely described Russia's energy policy and Russia-China cooperative relations, and noted the need to provide a more flexible and convenient social infrastructure as well as better migration and legal policies in East Siberia and the Russian Far East region, and the need for adequate regional institutions in Russian businesses.

Alexander Vorontsov, the head of the Korea and Mongolia Department of the Institute of Oriental Studies at the Russian Academy of Sciences and the author of many articles on the Korean peninsula, describes the past, present and future of the Russia-to-Korea railroad connection project in his paper, "The Russia-to-Korea Railroad Connection Project: Present State and Prospects." He assesses that Moscow looks to the railroad connection project for freight transit from Asia to Europe as an opportunity for Russia to take a greater role in Eurasia, to become a link between the two regions, and thus to both generate significant revenues and attain a higher status in the global economy. Vorontsov reviews the progress of Russia's work on the project, explaining that the current international environment around the project changes constantly, and now is definitely not the best time for implementation because of the recent tensions in inter-Korean relations. However, he concludes that if inter-Korean

relations improve, the Russia-Korean Peninsula railroad connection project will receive a second wind, and thus despite the current difficulties, the project's prospects should be considered viable.

Svetlana Suslina, a professor at Moscow State University of International Relations, wrote an article entitled "The Russian Position and Policies on the Tuman River Area Development Project (TRADP)." Through this paper, she reviews a number of issues related to the implementation of the largest international Tuman River project of the 1990s–2000s and Russia's attitude toward the process of economic integration into the Northeast Asian economies. Suslina concludes that Russia considers cooperation with the Northeast Asian states as one of its key instruments for integrating its Far East via the process of international political and economic collaboration. Russia's strategy for achieving better integration into Northeast Asia and thus reaping economic benefits is based not only on its natural resource, infrastructural and institutional opportunities, but on innovative projects. The present Russian government assesses that Russia's participation in the Tuman Project may be useful in terms of bringing in foreign investment and innovative scientific-technological cooperation. Therefore, Suslina foresees that the Tuman Project will provide a new driving potential in the 21st century in light of the general integration trends in the region.

The final article, "Russia's Strategy toward the Arctic," written by the vice president of Joosung College, Seok Hwan Kim analyzes Russia's efforts toward the Arctic area from the 1990s and the motives behind them. He observes that Russia first approached this



region with economic motives in mind, and that subsequently other compound factors have come to play a role. Kim especially stresses that we need to perceive Russia's Arctic strategy from the security perspective as well as the economic benefits of establishing a shipping network via the North-East Sea Route.

In the conclusion, In-Kon Yeo, a senior research fellow at the Korea Institute for National Unification (KINU), has put forward several measures for strengthening the ROK-Russia strategic cooperation partnership, summarizing the eight papers by Korean and Russian scholars included in this collection.

Jung-Ho Bae

(Director of the Center for International Relations Studies at KINU)

CONTENTS

Preface i

Introduction iii

Part I . Russia Foreign and Security Strategy and the North Korean Nuclear Issue

I . Russia' s Foreign and Security Strategy in the 21st Century... 1
Sergei Chugrov

II . Changes in Russia–U.S. Relations and New START.....25
Vladimir U. Sizov

III . Russian Security Strategy in Northeast Asia and
the North Korean Nuclear Issue65
Vasily Mikheev

IV . The Russia–ROK Quest for a Strategic Partnership:
Problems and Implications in Security Cooperation93
Georgy Toloraya

Part II. Russia Strategy for Economic Development and the Korean Peninsula

- V. Main Trends and Prospects for the Russian Far East/East
Siberia Region's Cooperation with Northeast Asia125
Alexander N. Fedorovskiy
- VI. The Russia-to-Korea Railroad Connection Project:
Present State and Prospects147
Alexander Vorontsov
- VII. The Russian Position and Policies on the Tuman River
Area Development Programme(TRADP)173
Svetlana Suslina
- VIII. Russia's Strategy Toward the Arctic199
Seok Hwan Kim
- Conclusion: Suggestions for Strengthening the ROK-Russia
Strategic Cooperation Partnership249
In-Kon Yeo
- Contributors257

TABLE · FIGURE

⟨Table V-1⟩ PEC's Share of Russia's Exports and Imports (in %).....	127
⟨Table V-2⟩ Trade of the Russian Federation with Northeast Asia Exports (excluding CIS countries, mln. U.S. dollars).....	128
⟨Table V-3⟩ Trade of the Russian Federation with Northeast Asia Imports (excluding CIS countries and excluding officially non-registered imports, mln. U.S. dollars)	129
⟨Table VIII-1⟩ Cities and Population Counts in the Russian Arctic (January 2007)	216
⟨Table VIII-2⟩ Changes in Volume of Cargo and Length of Voyages on the Arctic Sea Route (1935-1987)	217
⟨Table VIII-3⟩ Analysis of Container Shipping Distances and Costs along the Arctic Sea Route and between Europe and the Far East	220
⟨Table VIII-4⟩ Details of Medvedev's 4I Strategy	231
⟨Table VIII-5⟩ Transport Accessibility in the Far East and Trans Baikal Region.....	234
⟨Figure VIII-1⟩ Natural Resources in Russia's Arctic Coast Regions.....	207
⟨Figure VIII-2⟩ Russian Claims to Regions Connected to its Continental Shelf and the Territorial Claims of Various Countries	237
⟨Figure VIII-2.1⟩ Russian Claims to Regions Connected to its Continental Shelf and the Territorial claims of Various Countries.....	237

Part I.

Russia Foreign and Security Strategy and the North Korean Nuclear Issue



I . Russia' s Foreign and Security Strategy in the 21st Century

Sergei Chugrov

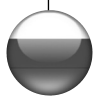


Among a diverse multitude of countries, two distinct groups can be singled out. They may be called ‘tigers’ and ‘whales.’ Some examples of ‘tigers’ would be South Korea, Taiwan, Singapore, Hong Kong, and Malaysia. They have mainly small territories and good communication systems. Typical ‘whales’ are China, Russia, India, and Brazil. They are extremely large, and their communication systems are far from modern enough to handle their capacities. Also, whales tend to need a lot of time to make U–turns. Thus Russia, as one such political ‘whale,’ needs time to change its political mentality after the collapse of the Soviet Union.

It is evident that concrete problems of international relations and national identity cannot be resolved without an analysis the ‘big issues’ in global affairs. The author outlines some of these issues. In this analysis, he heavily draws on Russian official documents and interviews given by Foreign Minister Sergei Lavrov. But the general conclusions of this paper will be unofficial, drawn by the author as a political scientist who rejects diplomatic language and addresses the problems as an absolutely unbiased, independent researcher.

1. Overview of Russian Global Policy and its Self Perception in a Globalizing World

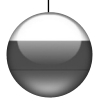
There are two principal approaches to the analysis of the new stage in global post–Cold War development. The first one holds that the world must inevitably turn into a *Greater West* through the adoption



of Western values (a kind of ‘end of history’). The other approach – supported by Russia – holds that competition is becoming truly global and is acquiring a civilizational meaning; that is, the subject of competition now comprises values and development models.

This new stage is sometimes defined as ‘post - American.’ But, surely, this is not ‘a world after the United States,’ or without the U.S. It is a world where—due to the growth of other global centers of control and influence—the relative importance of the U.S. role has been declining, as has already happened in recent times in the areas of global economy and trade. Russia envisions itself as a rising power and feels that now is the time to challenge America’s hegemonic policy. This means that Russia is taking a more self - assertive stance against the West. But actually Russia has no hegemonic ambitions. The most important question is, does Russia have great - power ambitions? Let’s look more closely at the problem.

Different terms have been proposed to label the nature of the emerging world order, among them *multi - polar*, *polycentric*, *non - polar*, etc. These all imply that other poles have come into being. Ensuring the governability of global development now requires establishing a core group of leading nations. In the view of Russian policy makers, there is a need for collective leadership, and Russia has been resolutely advocating this. Certainly, the diversity of the world requires that such cooperative leadership must be truly representative, both geographically and civilizationaly. The Russian leadership shares the idea that the continuing reformation of the world order is a normal process of creating a new international architecture



—political, financial and economic—that will meet the challenge of these innovative changes.

One such transformation is the return of Russia to world politics, the global economy and finance as an active, equal actor. This refers to Russia’s place on the world energy and grain markets; to its leading position in the fields of nuclear energy and space exploration; and to its capabilities in the spheres of land, air and sea transit.

Today, Moscow is guided in international affairs by purely pragmatic interests; there are practically no ideological motivations. Some people in the West say Russia has some ‘hidden agendas’ or ‘neo - imperial aspirations.’ It is important to remember that Russia, after all, is a ‘whale’ and cannot change its political direction overnight.¹

What Should Russia do with its Strength?

Russia seems to be gaining new strength—but it doesn’t know what to do with this strength. This is a key question for Russia, its neighbors, and the West.

We too easily overlook the fact that Russia is still in transition, not the finished article.² How could it be otherwise, a mere twenty years after the collapse of the Soviet Union? Of course, Russia’s leaders and generals are still shaped by the mind set of Soviet power: with

¹ For more details see: Sergei Lavrov, “Russia and the World in the 21st Century,” *Russia in Global Affairs*, No. 3 (July/September 2008).

² Lyne Roderic, “Reading Russia, Rewiring the West,” *Russiya v global’noy politike*, No. 5 (September/October 2008).

the exception of Dmitry Medvedev, they were all in their 30s and 40s when the USSR collapsed. It is not surprising that many Russians still reject the idea that Ukraine is a foreign country, and consider it to be ‘ours.’ But how long did it take Britain to adjust to the loss of its empire? Why did France cling to Algeria? Why do some Japanese still pay homage at the Yasukuni Shrine?

The Russian ‘political class’ is not monolithic. It is, quite naturally, pro - Russian: to expect Russians to be ‘pro - Western’ is irrational. Across the spectrum, a large part of the elite is critical of the West. But it is divided between those whose feelings might be termed atavistic and those who make a rational critique, in distress as much as irritation, of Western policies – especially the Iraq war, the Kosovo affair from 1999 onwards, United States plans for an attack against Iran, and, not least, the eastward expansion of NATO. But the leadership has spent many years trying to avoid direct confrontation with the United States and the West, perceiving, perhaps, that Russia is not strong enough to do so and would be seriously hurt – again – by an all – out confrontation, and that the main threats to its security come in the short term from its southern border and in the long term from China, whose growing might is a source of deep discomfort.

A key goal has been to bring back Moscow’s great – power position in the world and to be acknowledged at all the top tables – including, most prestigiously, the exclusive G8. Putin has several times repeated that this can only be achieved with the help of Russia’s economic strengths and ‘soft power,’ not by reliance on military power.

President Dmitry Medvedev emphasized at the Yaroslavl International



Forum of political scientists in September 2010 that he wanted his country to be something more than a producer of only oil and gas, semi-finished products and armaments.³ Reliance on natural resources has fostered a political culture in which well-connected tycoons siphon the nation's wealth into their own pockets while public goods—including infrastructure, health care, and education—continue to languish. Russian leadership assesses this as a great threat to national security. Medvedev has pleaded, instead, for a *modernization strategy* that would use technological know-how and innovation to boost efficiency. It is through modernization that Russia should join the ranks of the most advanced economies. This vision has already inspired ambitious plans for a new innovation center called Skolkovo, said to be the Kremlin's answer to Silicon Valley. Another key goal has therefore been to seek closer integration into the world economy, by joining the World Trade Organization(WTO) and the Organization for Economic Cooperation and Development(OECD), and by encouraging Russian businesses to go overseas.

In the Concept of Foreign Policy adopted in July 2008⁴ (sometimes called 'Medvedev's doctrine') five principles of Russian foreign policy were formulated. We can see a number of contradictions in them. The first and third principles are, respectively, compliance with the main international law principles which define the relations

³- D. Medvedev, Speech at the Yaroslavl Forum of Political Scientists and Journalists (September 2010).

⁴- See the document, <<http://archive.kremlin.ru/eng/text/docs/2008/07/204750.shtml>>.

between the civilized nations, and ‘full and friendly relations’ with all countries (isolationism is not a path Russia hopes to follow). Yet the fourth principle stresses the ‘indisputable priority’ of ‘protecting the lives and dignity of Russian citizens, wherever they may be,’ while the fifth asserts a right to give ‘special attention’ to particular regions in which Russia has ‘privileged interests.’ The president does not say whether the notions of ‘indisputable priority’ and ‘privileged interests’ mentioned in these latter two principles are less important than the first and third principles. Omitted from his list is any direct reference to the maintenance of international peace and security.

Generally, Russia does not much like the current global financial–economic architecture, which was largely created by the West to suit its own needs. And now we are witnessing the shift of financial–economic power and influence toward new fast–developing economies, such as the BRIC nations (Brazil, Russia, India, and China–political ‘whales’). Recently, Prime Minister Vladimir Putin pointed out that Russia has the world’s third–largest gold and foreign currency reserves.⁵

In order to reinforce stability and preserve the current political architecture of the world, Russia takes part in various UN peacekeeping operations. According to Minister of Foreign Affairs Sergei Lavrov, “The so called concept of the post conflict peace–building is embodied in the UN–backed activities.”⁶

5- <http://www.foreignpolicy.com/articles/2010/05/10/russia_modernizes_the_old_fashioned_way>.

6- S. Lavrov’s interview, *Rossiyskaya gazeta*, No. 5301 (1 October, 2010).

2. Russia and the West: Metamorphoses of Mutual Perceptions

Fyodor Tyutchev (a Russian poet and diplomat of the 19th century) wrote that “by the very fact of its existence Russia negates the future of the West.” But we can answer Tyutchev only by building a common future for the entire Euro–Atlantic region, and for the world, in which security and prosperity are truly indivisible. We are a very long way from achieving such a world, but we must make a first step.

Uncle Vanya and Uncle Sam

The second principle of Medvedev’s doctrine says that “The world must be multipolar … Russia cannot accept a world order with only one decision maker, even one as serious as the U.S.A.” When American analysts frighten us with the threat of ‘anarchy’ in the contemporary world (which is very Russian–like, but done, as a rule, from the outside), they forget that any system can be self–regulatory. This requires that effective, adequate institutions must be created. “We are not enemies, we call each other ‘partners’ and we want to be friends,” said Russia’s Minister of Foreign Affairs Sergei Lavrov in an interview given in February 2010.⁷

Russia wants to forget the humiliations of 1990s. The U.S.A. at that time failed to treat Moscow as an equal partner. Washington treated

⁷ <http://www.rian.ru/defense_safety/20100225/210791109.html>.

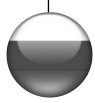
it as the loser of the Cold War or, at best, as a junior partner. Russia is open to the decision to ‘reset’ our bilateral relations. Medvedev’s modernization policy is a sort of signal to the U.S.A. that Russia aims at cooperation, not hostility, toward the West.

There has always existed an interrelation between Russia and the United States. Alexis de Tocqueville predicted a common future for our countries way back in the 19th century. We understand this very well—and this is why Russia stands in favor of equal relations in a format involving Russia, the European Union, the U.S., China, Japan and India.

Russian–U.S. relations would substantially benefit from an atmosphere of mutual trust and mutual respect; such feelings characterized the relationship between the presidents of the two countries over the last years, but have not always appeared at the lower levels. Paradoxically, there was more mutual trust and respect between the two states during the Cold War. Perhaps this was because there was less lecturing then about what a state should be and how it should behave. Cooperation alone would be enough to ensure stability in our bilateral relations, until there is mutual readiness for their substantial modernization in accordance with the requirements of the times.

Russia, NATO and the EU: Evolution of Security Dilemmas

Russia has proposed that European countries work with Russia to form a new trans–Atlantic organization in which the United States is no longer the dominant power. This is a very interesting project,



though for the moment it looks a bit utopian and will take time to implement. Remember, Russia is a ‘whale.’

Russia’s military conflict with Georgia in August 2008 showed that the security mechanism in Europe, based around NATO and the U.S., should be radically restructured. Washington abused its superpower status in expanding NATO to Russia’s doorstep. In Lavrov’s view, NATO enlargement has been a mistake from the beginning. Oral assurances given to the Russians were broken, and the alliance has not managed to build a strong enough bridge with Russia. We all should take time to think and look around—this is the meaning of the pause that Russia suggests. And in any case, Russia would prefer to hold on to the U.S.—Russian strategic weapons treaties, but on a basis of equality. Many Europeans agree that NATO needs to be updated beyond its original mission of countering Soviet expansion, but they doubt “the Russians are the right people to propose this.”

Still, the current security structure is based on NATO, and Russia’s relations with it have deteriorated with NATO’s expansion eastward. References to Georgia and Ukraine’s eventual joining of NATO in the future have been a major irritating factor in Russia—NATO relations.

The Russian military doctrine particularly entitles Russia to “defend its citizens’ rights abroad.” Furthermore, Russia will be able to participate in armed conflicts on its borders where “principles of international rights are violated and thus can be classified as aggression against citizens.”

The fact that some observers see NATO and the U.S.A. as Russia’s potential enemies is a heritage of the Soviet military doctrine. This is

an inadequate way of thinking. As Minister of Foreign Affairs Sergei Lavrov put it on the eve of the November 2010 NATO–Russia Council summit, “I think we have not been enemies for a long time. Nobody, even in a nightmare, can imagine a military clash between us. NATO is a reality. Russia is also a reality. Both realities coexist in the Euro–Atlantic in line with the EU.”⁸

Can Russia become a member of the European Union? Most likely, that is impossible in the foreseeable future. Russia, as we know, is a ‘whale’—it is too big and will overshadow Europe. It is institutionally incompatible with the European ‘old tigers,’ or ‘cats.’ However, we call the relations between Russia and the EU a ‘strategic partnership.’

Russia is the EU’s third biggest trade partner, with Russian supplies of oil and gas making up a large percentage of Russia’s exports to Europe. To put it frankly, Western Europe is heavily dependant on Russian gas, especially Germany and Italy. This is why Russia and Europe are doomed to be partners, in spite of all the political twists and turns.

The ongoing cooperation is based on 4 specific policy areas, so–called Roadmaps for the Four Common Spaces of the EU and Russia. These ‘common spaces’ cover:

- Economic issues & the environment
- Freedom, security & justice
- External security
- Research & education, including cultural aspects

⁸– S. Lavrov’s interview, *Rossiyskaya gazeta*.

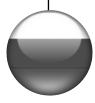
The EU and Russia co operate on a number of challenges at the international level. These include climate change, drug and human trafficking, organized crime, counter terrorism, non proliferation, the Middle East Peace Process, and Iran.

The EU and Russia concluded a Partnership and Cooperation Agreement in 1994.

The EU and Russia agreed to cooperate on seven joint cross–border cooperation programs over a period continuing until 2013. These programs will promote economic and social development in regions on both sides of common borders, environmental protection, and cross–border ‘people to people’ actions.

The Euro Atlantic Space: Between Fragmentation and a Common Future

Geographically, Russia is a Eurasian country. But from a political point of view, Russia has more of a European identity than an Asian one. Russia views itself as part of European civilization, sharing its common Christian roots. There is the socially oriented Western European model, which was a product of European society’s development throughout the 20th century, including the tragedies of the two World Wars, the Cold War, and the Soviet Union’s experience. The Soviet Union played a significant role in this process, as it not only served as the ‘Soviet threat’ that united the West, but it also motivated Western Europe to ‘socialize’ its economic development. Therefore, by proclaiming the goal of creating a socially



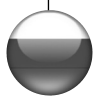
oriented economy, the new Russia appeals to our common European heritage. This is yet more evidence of Russia's compatibility with the rest of Europe.

In the area of foreign policy, it is said that the confrontational paradigm of intra-European relations of the Cold War era is giving way to a cooperation paradigm. This means tolerance of dissent and pluralism of views and positions. The European architecture, established back in the Cold War years, prevents us from overcoming the negative dynamics set by the inertia of past approaches. There remains only one thing to do, and that is to try and build a system that unites the entire Euro-Atlantic region through common values. There is a need for positive processes, including a pan-European summit, in order to fill the political vacuum emerging in the Euro-Atlantic region. It is in the common interest to have 'a coherent Europe,' all parts of which are united by workable relations.

3. The CIS Problems and Caucasus Trauma

Recall the fifth principle of the Medvedev doctrine: "Like other countries of the world, Russia has privileged interests in the regions in which friendly states are situated." In this way, Medvedev has proclaimed a zone of geopolitical responsibility. Here, Russia's goal is to prevent the further erosion of its influence in the 'post-Soviet space.'

The collapse of the Soviet Union is still perceived as a painful



psychological trauma, and the Russian people are still experiencing a sort of post—operational shock. There is a saying attributed to politician Grigory Yavlinsky: “Anyone with a heart should regret the collapse of the Soviet Union—and anyone with a head should know it could not be put back together again.” The danger is that among the Russian elite, the heart and the head are in conflict.

Russia looks positively upon the prospects of the Community of Independent Countries, as the Russian minister of foreign affairs said in February 2010. The financial crisis has shown that these countries should work together.⁹

Within the post—Soviet space, Ukraine is of cardinal importance (much more so than Georgia). This is because of its large and partly Russian population; its strong personal, economic and cultural ties to Russia; and its history (with the exception of western Ukraine) as an integral part of the historic Russian motherland. Russia is paying a high price to prevent Ukraine from becoming, as Russians would see it, a platform for American power.

Of course, Russia should review its mind—set concerning the ‘post Soviet space.’ The ‘Rose’ and ‘Orange’ Revolutions (in Georgia and Ukraine, respectfully) were felt as hurtful defeats by the Russian leadership; Ukraine’s Orange Revolution, in particular, was personally humiliating for Putin.

The conflict between ‘heart’ and ‘head’ in the Russian elite’s

⁹– S. Lavrov’s interview, *Novosti News Agency*, “Golos Rossii” Radio Station and “Russia Today” TV Channel (25 February, 2010), <<http://www.rian.ru/politics/20100225/210806701.html>>.

mentality has already been mentioned here. Voices from the ‘head’ argue that coercion is counterproductive, and that Russia should instead use its ‘soft power’ to attract these states. But the feeling in the old ‘heart’ is that Russia has simply not used enough muscle to impose discipline on weaker neighbors and prevent Western intrusion into Russia’s historic spheres of influence.

It is now about two and a half years since the Georgian effort to retake South Ossetia by force sparked what Russia is now calling the August 2008 conflict. No one has benefited from the conflict between Russia and Georgia—neither Russia, nor Georgia, nor the West.

For the two years leading up to the clash, Russia and Georgia were coming ever closer to conflict. Indeed, Vladimir Putin’s speech of February 2007 at a security conference in Munich was a clear signal of “Russia’s return to the traditional status of an independent player on the international stage, without any subordination to the West.”

There is no new iron curtain across Europe, no ideologically based ‘New Cold War’; but there is a deep and painful division that stretches far beyond Georgia, South Ossetia and Abkhazia. Generally, Russian leadership had no other choice than to interfere and stop the genocide of the Ossetians.

The European response was weak. In early August 2008 nobody including Putin and Medvedev would have dared imagine that Russia could invade and partially occupy a neighbor for the first time since the Cold War, let alone recognize South Ossetia and Abkhazia as independent states. The Europeans have not even insisted on formal restoration of Georgia’s territorial integrity. Thus the second victim of

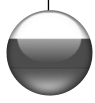
this conflict, after Georgia, was the idea of a common European foreign and security policy.

Vladimir Putin's opinion of the collapse of the Soviet Union as the greatest geopolitical catastrophe of the 20th century was not a view shared by Georgia, Ukraine, the Baltic States or the Central Asian countries that escaped the Soviet empire to win their independence. Yet his aim is to restore Russia as a great power, not to bring back communism as a global ideology. Our high-ranking officials insist that Russia wants more respect, not more territory.

Who will be the next victim? There are some nationalist groups in Russia. But this author believes that wisdom will prevail at the top, and that the leadership will start looking for a way of climbing down the tree rather than crawling further along a fragile branch. And ordinary Russians will bear the cost. But what Russia may come to regret is losing a most valuable asset: the opportunity to become an accepted European power.

4. Russia and Asia: a New Political Turn?

As Russia grows disappointed with its worsening relations with the West, it is turning eastward—towards India, China, Japan, South Korea, and the ASEAN countries. The most significant and volatile relations are those being established with China.



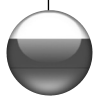
Russia-China Cooperation

Russia and China have joined together in a strategic partnership. It seems that this rapprochement may be a structural shift of power with the goal of repelling Western influence from Central Asia and the adjacent areas. However, along with some impressive achievements, there have been certain risks and disappointments.

First, currently, about 40 percent of Russia's arms exports go to China. Nevertheless, Russia seems well aware that China would like to obtain its most sophisticated military technology, which, in case of deteriorating relations, Beijing might use against Russia. For that reason, Russia is reluctant to provide China with its most modern products.

Second, Russia is supporting Russian energy companies in China, as well as promoting the delivery of Russian oil and gas to China. The most impressive projects are an oil pipeline from Russia to China and a gas – transmission project from eastern Siberia to China's Far East. But we should not be too optimistic about the cooperation between these two countries in the energy sphere:

- Russia is greatly irritated by China's efforts to buy energy resources at the lowest possible prices. These prices are almost unacceptable for Russia.
- China also focuses on Kazakhstan in its need for energy. By establishing energy ties with Kazakhstan, it is clear that China wants to avoid energy dependency on Russia.
- By redirecting Kazakh oil pipelines through China instead of



through Russia, China's influence over Kazakhstan and Central Asia will increase at the expense of Russia's position. Thus, Russia's energy power tool – used successfully against Ukraine – appears threatened by China's energy strategy.

Third, many Russian politicians and observers have said that illegal immigration is creating a threat to national security in the Russian Far East. However, this 'Chinese threat' is considerably exaggerated. Russia has a long border with China – some 4,300 kilometers – and is sparsely populated in its Far East.¹⁰ The pressure from the south is enormous. The numbers may vary, but some Russian sources mention a flood of thousands of Chinese entering Russia, up to allegedly 600,000 per year. However, these figures include petty merchants who shuttle to and from Russia, as well as seasonal workers. In fact, Russia needs a bigger work force in the Far East due to depopulation in the region. Some alarmists in Russia insist that the Chinese migration is a planned policy directed from Beijing. The purported reasons for such a population policy are to create an overflow area for Chinese citizens from densely populated areas in China proper and to gain a political and economic stronghold in this area, which is rich in energy resources.

The Shanghai Cooperation Organization(SCO) occupies an increasingly important place in current Russian foreign policy. Formulated in 1996 by the 'Shanghai Five' – comprising Russia,

¹⁰– For details see: Gao Shuqin and Jia Qinggo, "Transformatsiya otnosheniy mezhdru Rossiey i KNR posle kholodnoy voyny(Transformation of Sino-Russian relations after the end of the Cold War)," *Polis(Political Studies)*, No. 6 (November 2010).

China, Kazakhstan, Tajikistan and Kyrgyzstan—and later including Uzbekistan, the SCO was formalized as an international organization in 2001. Until 2005, the SCO mainly dealt with regional security—in particular working against the three ‘evils’ of terrorism, separatism and extremism—as well as economic cooperation. However, at its summit of July 2005 in Astana, the SCO proclaimed a radical change of course. The governments of the Central Asian member states were faced with the Western—supported regime changes in Ukraine and Georgia, as well as Western criticism of the Uzbek government’s repression of the unrest in Andijan. This forced them to choose an alliance with Russia and China and a diminished relationship with the West. This was a watershed moment in expanding the SCO’s range of policy from regional anti—terrorist activities to claiming an important position in the international arena in external security policy.

In addition to Mongolia, in 2005 Iran, Pakistan and India joined the SCO as observers. By admitting these three states as observers, the SCO now embraces nearly half of the world’s population. Furthermore, in addition to Russia and China, India and Pakistan bring the total to four nuclear powers, while Iran also possibly has ambitions of becoming one.

The SCO serves as a platform for Russia’s security policy. Russia obviously will use this organization to reduce Western and U.S. influence in Central Asia. In such a way, the SCO will provide Russia with a vital instrument to achieve its geopolitical objectives. It is important to note that cooperation among its members and observers

is essentially based upon a negative strategic objective: to counter U.S. and Western influence. To a large extent, common positive targets are absent. For example, *China* is seeking markets and energy resources; *Russia* is eager to regain its status as a leader within the CIS, as well as a superpower in the international arena; and the *Central Asian regimes* consider the SCO as their guarantee for political survival.

In the coming years, Russia is likely to strengthen its ties with China, which will become a regional and possibly global power with capacities and policies that may challenge Western influence not only in the Far East, but elsewhere. However, Russia does not want to become China's 'little brother.' If China indeed achieves a superpower position, the West, Japan, and Russia may find common ground for closer cooperation.

Some Other Russian Headaches in Asia

The territorial dispute between Moscow and Tokyo concerning the four islands to the north of Hokkaido is a problem not just for Japan, but for Russia as well. The general opinion in both Russia and Japan is that this territorial dispute is the principle cause of the souring of relations between Moscow and Tokyo. The real reason, however, lies much deeper: we cannot resolve the territorial issue because relations between the two countries rest on mutual mistrust. The Soviet Union's decision to join in the war against Japan in August 1945 – in violation of a treaty of neutrality – seriously hurt the national pride of



the Japanese. Furthermore, the imprisonment of more than 600,000 Japanese prisoners of war in Siberia delivered a painful blow to relations between the two countries.

Unfortunately, there are no influential social groups or lobbies in Russia or Japan with sufficient interest in finding a resolution to the territorial dispute (on the basis of a reasonable compromise) to prompt them to press their governments on the issue. In fact, this conflict is not the main obstacle, and certainly not the only obstacle, to improving economic relations between the two countries.

At present, Russia and Japan have two options: they can either halt their talks, or they can continue negotiations on a territorial demarcation despite the previous setbacks. When the two states sincerely seek to resolve this territorial problem, they will surely be successful.

Moscow is faced with the permanent headache of being adjacent to newly emerging nuclear states, principally North Korea and Iran. This possibility devalues Russia's own nuclear status and aggravates its relations with the U.S.A., Europe and Japan. Moscow has tried to maintain a consistent policy towards North Korea and Iran.

In June 2010 Russia endorsed the sanctions decision on Iran and stopped selling anti-missile systems to Iran. Tehran showed that it is ready for new talks.¹¹ This was a big win for the Obama administration and a positive development in U.S. – Russia relations.

The difference in the approaches taken toward North Korea and Iran can be attributed to the significantly different behaviors of these

¹¹– S. Lavrov's interview, *Rossiyskaya gazeta*.

two countries. While North Korea has signaled its readiness to trade its nuclear program for security guarantees and major economic aid, Iran is not interested in any such deals and is seeking nuclear capability for diverse reasons—including international prestige and regional dominance. It is very important to emphasize that Moscow definitely stands against the proliferation of nuclear weapons anywhere in the world.

* * *

From this short overview, it is clear that nothing in Russia's approach is contrary to the principles of rationality. Acting irrationally only succeeds in piling problems upon problems and holding the future of the world hostage to hasty decisions. Such behavior would be a huge waste of time, resulting in a multitude of lost opportunities for joint action. We are not hurrying anyone; we only urge the United States and other countries of the world to think together about what awaits us. But a breakthrough into our common future requires new, innovative approaches. That is where the future lies.



■ References ■

1. Books

Lavrov, Sergei. "Russia and the World in the 21st Century." *Russia in Global Affairs*. No. 3, July/September 2008.

Roderic, Lyne. "Reading Russia, Rewiring the West." *Russiya v global'noy politike*. No. 5, September/October 2008.

Shuqin, Gao and Jia Qinggo. "Transformatsiya otnosheniy mezhdou Rossiey i KNR posle kholodnoy voyny(Transformation of Sino-Russian relations after the end of the Cold War)." *Polis(Political Studies)*. No. 6, November 2010.

2. News Articles, Electronic Resources, etc.

Lavrov's interview. *Rossiyskaya gazeta*. No. 5301, 1 October, 2010.

_____. *Novosti News Agency*. "Golos Rossii" Radio Station and "Russia Today" TV Channel. 25 February, 2010.

Medvedev D. Speech at the Yaroslavl Forum of Political Scientists and Journalists. September 2010.

<<http://archive.kremlin.ru>>.

<<http://www.foreignpolicy.com>>.

<<http://www.rian.ru>>.

II. Changes in Russia–U.S. Relations and New START

Vladimir U. Sizov



1. Introduction

The Russia–U.S. relationship is often a topic of discussion and debate among Russian, U.S. and international policy communities. Relations between the two countries, which improved in 2009–2010, are at the crossroads again: one road leads to future cooperation in solving global problems, accompanied by peaceful competition in spheres of mutual interest; the other leads back to a policy of mutual mistrust and possibly a resumption of a full scale confrontation. The new START treaty (or more precisely the question of whether or not it comes into effect) may become a test of the real intentions behind the “reset” as well as the potential of Russia–U.S. relations. The disputes over missile defense and post–Soviet space could aggravate the situation and make ratification of the treaty more difficult. As a result the process of solving urgent security problems such as nuclear disarmament, nuclear nonproliferation, and the struggle against international terrorism could be hampered.

Since the end of 1991 the Russia–U.S. relationship has passed through several ups and downs. Two waves of improved relations were followed by subsequent deteriorations. The periods of good relations have been much shorter than the periods of bad relations. In September 2010 a third wave of improved Russia–U.S. relations is rising to its crest, on the verge of either breaking into a real partnership or rolling back.

In 1992–1994 progress in bilateral relations came not as a result of mutual efforts to find a compromise after the Cold War but rather

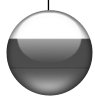


due to the high expectations of both sides. The United States expected that Russia would accept the new geopolitical realities and start playing on the U.S.–led team according to its new very limited capabilities. Russia for its part waited to experience the benefits of dismantling its communist system.

1995–2001 was a period when the United States realized its global strategy could not promote serious improvements in U.S.–Russia relations. George Friedman, STRATFOR’s chief executive officer and a well–known American expert in international affairs, noted that “The emergence of a hegemonic contender that could challenge the United States globally, as the Soviet Union had done, was the worst–case scenario. Therefore, the containment of emerging powers wherever they might emerge was the centerpiece of American balance–of–power strategy.”¹² At that time Russia was too weak and had no instruments other than oral objections to oppose U.S.–led geopolitical initiatives such as NATO’s eastward expansion or the air war against Yugoslavia. But it became clear that Russia was not willing to shift into the U.S. sphere of influence, and Moscow rejected U.S. strategies “cloaked in the ideology of global liberalism and human rights.”¹³ Bilateral relations were also complicated by the poor results of the Russian Federation’s economic transition, which Russian public opinion partly linked with Western involvement in

¹²– George Friedman, “9/11 and the 9-Year War,” *Strategic Forecasting* (8 September, 2010), <http://www.stratfor.com/weekly/20100907_911_and9yearwar?utm_source=GWeekly&utm_medium=email&utm_campaign=100908&utm_content=readmore&elq=451942236a664f65b33402117f65b334117f93b7d9>.

¹³– *Ibid.*



Russian domestic affairs in the first half of the 1990s.

The situation changed after the terrorist attack on the United States. The Kremlin, which had its own not-very-successful experience struggling with terrorism in the Caucasus, decided that 9/11 could become a starting point for reshaping Russia-U.S. relations. Russia offered its support to the United States. This initiative prompted some observers to describe the bilateral relations in 2001-2002 as “generally cordial—more cordial than they had been in a number of years.”¹⁴ But this period of warming in relations was very brief.

Russia-U.S. relations in 2003-2008 may be described as trending from bad to worse. Moscow fiercely objected to the U.S. military intervention in Iraq and to a new wave of NATO enlargement which, among other things, absorbed the three former Soviet republics of Estonia, Latvia and Lithuania. After those events, the geopolitical position of Russia became more constrained. In his famous speech at an international security conference in Munich in February 2007, Russian President Putin sharply criticized the United States for taking “one-sided illegitimate actions” that “have not solved a single problem and have become a generator of many human tragedies, a source of tension.”¹⁵ This was a clear signal to the West that Russia

¹⁴- Eugene Rumer and Angela Stent, “Repairing U.S.-Russian Relations: A Long Road Ahead,” Washington D.C., The Institute for National Strategic Studies at National Defense University and the Center for Eurasian, Russian and East European Studies in the School of Foreign Service at Georgetown University (April 2009).

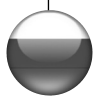
¹⁵- Vladimir Putin, “Vystuplenie i diskussiya na Myunkhenskoy konferentsii po voprosam politiki bezopasnosti,” Speech at the Munich Conference on Security Policy (10 February, 2007), <<http://www.kremlin.ru/text/appears/2007/02/118097.shtml>>.

had reached the limits of its patience. But the United States decided to test the real capabilities of the “new Russia” and did not prevent Georgia from using military force on the Russian border. The 5 – day war between Russia and Georgia in August 2008 brought Russia – U.S. relations to a level of confrontation. After that the same leading U.S. experts in Soviet/Russian affairs came to the conclusion that Russia had “emerged as a revisionist power” and “had made it plain that it would not accede to a Western – designed, values – based European security arrangement. Instead, it wants to assume a significant role in shaping it.”¹⁶ It should be mentioned that the idea of creating a new European security system was articulated by President Medvedev before the armed conflict in South Ossetia.¹⁷

A dialogue in which both sides refuse to listen to the opposite side’s arguments has proven ineffective. Such dialogue can only lead to a resumption of the Cold War or even a direct clash. The situation required a general reconstruction of the bilateral relationship.

¹⁶– See Eugene Rumer and Angela Stent (April 2009).

¹⁷– During a speech, made in Berlin on June 5, 2008, before an audience of five hundred politicians and business leaders, Russian President Dmitry Medvedev proposed a new security treaty for Europe; See also “The Foreign Policy Concept of the Russian Federation” approved by Dmitry A. Medvedev, President of the Russian Federation, on 12 July 2008, which stated “The main objective of the Russian foreign policy on the European track is to create a truly open, democratic system of regional collective security and cooperation ensuring the unity of the Euro-Atlantic region, from Vancouver to Vladivostok, in such a way as not to allow its new fragmentation and reproduction of bloc-based approaches which still persist in the European architecture that took shape during the Cold War period. This is precisely the essence of the initiative aimed at concluding a European security treaty, the elaboration of which could be launched at a pan-European summit.” <<http://www.mid.ru>>



The deterioration of Russia–U.S. relations halted at the very end of 2008, when Barack Obama suggested a “reset” in the relationship. Since 2009 the two countries have chosen pragmatic cooperation in spheres of mutual interest as a tool for reshaping their relationship. In April 2010 the Treaty between the United States of America and the Russian Federation on Measures for Further Reduction and Limitation of Strategic Offensive Arms (New START¹⁸) was signed in Prague. But serious differences on some issues still continue to influence Russia–U.S. relations. A spy scandal in the summer of 2010 inflicted no visible harm on the “reset” process, but the general atmosphere of bilateral relations was poisoned with expectations of their possible deterioration. The ratification process of the New START treaty in the U.S. Senate this autumn will be a real test of the relationship’s credibility.

To understand which direction Russo–American relations may take in the future, we need to investigate what forces have brought about the last change in the relationship.

2. Reasons for Change in Russia–U.S. Relations

The first reason for the current improvement in Russia–U.S.

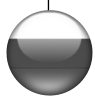
¹⁸ Minister of Foreign Affairs of the Russian Federation Sergei Lavrov suggested one more abbreviation for this treaty—START 2010. See Sergei Lavrov, “New START Treaty in the Global Security Matrix: The Political Dimension,” *Mezhdunarodnyia Zhizn*, No. 7 (July 2010), <http://www.in.mid.ru/brp_4.nsf/e78a48070f128a7b43256999005bcbb3/25909cfe1bbd1c6ec325777500339245?OpenDocument>. Some Russian political analysts call this treaty ‘START-3’.

relations was the fact that at the end of 2008 those relations were at their lowest point since the debut of the Russian Federation in the international arena as the Soviet Union's successor. They simply could not be worse short of economic sanctions or the direct use of force. But the general picture of the main factors behind the "reset" was broader, deeper and more complex.

At that time very few people had doubts that the world order based on U.S. domination in political, economic and military spheres had proven ineffective, as it could not prevent the wars in the Balkans, the Middle East, or the Caucasus, or control the spread of international terrorism, the weakening of the nuclear nonproliferation regime, or the global financial and economic crisis.

A transformation of the unipolar world system was under way, as new centers of political and economic power were emerging in Asia and South America. New international organizations and forums which excluded the United States or Russia started playing a greater role in formulating the global political and economic agenda. Both countries had to readjust themselves to a new reality as their ability to influence global changes diminished. But because Russia and the United States control more than 90% of the world's nuclear weapons, no one else can take global responsibility for securing nuclear material and preventing the spread of nuclear weapons. A determination to keep the world safe and to achieve strategic stability in bilateral relations was the real factor which forced the two countries to sign New START.

A readiness to fight together against terrorism, transnational crime,



global warming and pandemic diseases also helped to improve the Russia U.S. relationship.

A visible shift in global dynamism from Europe to the Asia Pacific region¹⁹ has highlighted two other strategic factors (or global players) which influence current and future Russia U.S. relations: united Europe and China as the western and eastern flanks of the Eurasian continent, the central part of which is occupied by Russia. At the beginning of the 21st century, Eurasia has become the heartland of world politics: geopolitical rivalries of major world powers, military and political rivalries of regional powers, arms races, wars, terrorism, religious conflicts, divided nations, territorial disputes, and competition for gas and oil are the main elements of the security environment of this vast continent.

“Russia sits astride Europe, Asia and the broader Middle East—three regions whose future will shape American interests for many years to come.”²⁰ That is why the United States and Russia must work together, claims U.S. Under-Secretary of State for Political Affairs William J. Burns (the U.S. ambassador in Moscow from 2005 to 2008). It is hard not to agree with him, if we take into account that Greater Central Asia has been the main source of international

¹⁹- For a more detailed analysis of the international context of U.S.-Russia relations see Thomas Graham, “U.S.-Russia Relations: Facing Reality Pragmatically,” Washington D.C., Center for Strategic and International Studies (July 2008), <<http://www.csis.org>>.

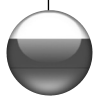
²⁰- William J. Burns, “The United States and Russia in a New Era: One Year After ‘Reset’,” The Center for American Progress (14 April, 2010), <<http://www.state.gov/p/us/rm/2010/140179.htm>>.

instability for a long period of time.

The United States cannot solve the main problems in its relations with Russia on American terms—positioning missile defense sites close to Russian territory and possibly expanding NATO to the Ukraine and Georgia—without inflicting damage to Russia—EU and Russia—NATO relations. Key U.S. allies in Europe depend heavily upon Russian supplies of energy resources. Europe receives 30 percent of its oil imports and 50 percent of its natural gas from Russia. The U.S. is content with this situation, but its own economy depends on trade with Europe, whose economy cannot work effectively without Russian hydrocarbons. Moreover, the United States, as the world’s largest energy consumer (even if it does not now import oil and gas from Eurasian sources), is interested in securing access to global supplies of energy resources and promoting the stability of major world markets. Russia is one of the critical elements in the global energy system: it has one third of known natural gas reserves and is currently responsible for over one fifth of world gas exports. 90% of Caspian resources continue to move into world markets through pipelines that transit Russia.²¹ Russia is also the world’s second largest oil producer.

The Russian Federation, for its part, is heavily dependent on economic ties with Europe. More than 50% of its foreign trade and two—thirds of gas exports go to European countries. Russia also

²¹– R. Craig Nation, “Results of the ‘Reset’ in U.S.-Russian Relations,” Paris, IFRI Russia/NIS Center (July 2010) available at <<http://www.pearltrees.com/ifri.russie.nei/651883>>.



shares the same continent with the EU and has deep cultural and historical ties with European nations.²² Closer economic ties with Germany, France and Italy could contribute to improving NATO–Russian relations. This is an urgent task as Russia is still not a full–fledged member to the European security system, whose efficiency could stand to be improved. It is not always in the interests of Europe for Russia to remain a separate actor in world affairs. NATO–Russia cooperation could help to resolve security problems on the European continent. The United States and Russia cannot avoid taking these factors into consideration.

The rise of China is another reason for Russia and the United States to revise their relations. Both countries are challenged by the changing role of China in international economic and political affairs. China has the world’s biggest currency reserves of \$2.45 trillion, and this year China has surpassed Japan as the world’s second–largest economy. China’s growing military might²³ is also a source of anxiety. But Beijing occupies different places in the strategic thinking of Moscow and Washington.

The prevailing view in Washington is that “China has emerged as

²²– Political analysts, when describing Russo-American relations in regard to Europe, often draw attention to the fact that both the U.S. and Russia are an integral part of the European civilization.

²³– In March 2010, China announced a 7.5 percent increase in the country’s military budget to about 78.6 billion U.S. dollars. The U.S. estimate of China’s total military-related spending for 2009 stands at some 150 billion. See, “U.S. Wants Renewed Military Contacts with China,” Washington D.C., American Forces Press Service (17 August, 2010), <<http://www.defense.gov/news/newsarticlenewsarticle.aspx?id=60461>>.

a critical factor, while Russia's significance is far less than was the USSR's."²⁴ Some American experts, while expressing concerns about Russian arms deliveries to China and their joint military exercises, have dismissed speculation about a Russian–Chinese anti–U.S. condominium in Eurasia as an exaggeration and believe that “The Russia–China relationship constitutes an *axis of convenience* whose longevity may well be limited by China's rise.”²⁵ Some of their Asian colleagues believe that “On a global scale, Russia either in tandem with China or independently—needs to curb America's unilateralism” and that “President Medvedev's multilateralist foreign policy reflects the Russian government's desire to turn away from the U.S. and EU toward the East.”²⁶

A number of analysts in Moscow are concerned about the American proposal to China to consider a “new bipolarity” in world affairs. It seems that Eugene Rumer and Angela Stent were closer to the point when they wrote that “The United States and Russia share the same challenge—if not the same goals—with respect to China: dealing with a rising superpower while avoiding conflict and protecting their interests.”²⁷

²⁴– Franklin D. Kramer, “NATO Initiatives for an Era of Global Competition,” Washington D.C., Atlantic Council (March 2010), <<http://www.acus.org/publications/nato-initiatives-era-global-competition>>.

²⁵– Eugene Rumer and Angela Stent, “Repairing U.S.-Russian Relations: A Long Road Ahead,” Washington D.C., The Institute for National Strategic Studies at National Defense University and the Center for Eurasian, Russian and East European Studies in the School of Foreign Service at Georgetown University (April 2009).

²⁶– Korea Research Institute for Strategy, *The Strategic Balance in Northeast Asia* (December 2009), p. 259; p. 295.

From our point of view, all three countries face the same challenge the long-term shift in the global balance of power. They need each other's help to maintain a strategic balance and prevent sharp fluctuations, despite the visible asymmetry in their economic and military potentials. Maintaining U.S. – Russian strategic stability is no longer sufficient to guarantee global stability. In the long run, China could benefit from a constructive Russia – U.S. relationship, as Russia is a Eurasian bridge between the leading world centers of economic development. Moscow may need Washington as a counterweight to the influence of China in Asia, and Russia could be useful to the U.S. in the future for the same reason in the Pacific.

Another factor which contributed to the current change in Russia U.S. relations was the global financial and economic crisis. At the end of 2008, the U.S.' efforts to secure its global interests and Russia's intention to reestablish itself as one of the centers of world power were both thwarted by their diminished capabilities. Both must devote more financial resources to solving their internal problems, sometimes at the expense of their foreign obligations. Both countries have realized that they can and must use mutual cooperation to fulfill their plans.

The Russia – Georgia war confirmed this conclusion. The United States “had no levers at its disposal to influence Russian behavior”²⁷ during that conflict, and Russia encountered new problems in the Caucasus, in its relations with the West, and in joining World Trade

²⁷- Eugene Rumer and Angela Stent (April 2009).

²⁸- Nation, “Results of the ‘Reset’ in U.S.-Russian Relations,” p. 5

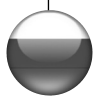
Organization(WTO). The combat operation revealed the weak points of the Russian armed forces and compelled President Medvedev to initiate an expensive military reform.

The U.S. is now trying to balance its domestic policy priorities with the needs of the Pentagon in the federal budget. For that reason, “Rapid and effective action to strengthen U.S.—Russian relations is critically important to advancing U.S. national interests,”²⁹ especially in Greater Central Asia. Waging and winning wars in Iraq and Afghanistan as well as preventing Iran from obtaining nuclear weapons were the major issues for the United States on the international front two years ago (and remain so today). U.S. military spending, burdened by the huge costs of operations in Iraq and Afghanistan, rose 7.7% in real terms to hit \$661 billion in 2009,³⁰ thus keeping the budget deficit close to 10% of the country’s GDP.

Russia does not want the United States to fail in Iraq or Afghanistan; this would have negative consequences for overall regional stability. It is also not in the interests of Russia to have Iran emerge as one more nuclear—armed neighbor. Due to its geographical location Russia could become an important player in establishing and running a reliable logistics network to sustain operations in Afghanistan. Transportation of American and allied soldiers and cargo via the northern route obviously would be safer and cheaper.

²⁹— “The Right Direction for U.S. Policy Toward Russia,” A Report from The Commission on U.S. Policy Toward Russia, Washington D.C. (March 2009), <<http://www.nixoncenter.org>>.

³⁰— “Global Arms Spending Hits Record Despite Downturn,” *Reuters* (1 June, 2010), <http://news.yahoo.com/s/nm/us_arms_spending>.



Besides, Russia remains an attractive foreign market for American goods. Russia is the 12th largest market in the world, with the third largest foreign currency reserves.³¹ By 2008, Russia had become one of the 10 largest economies in the world. According to the World Bank, energy exports accounted for 66 percent of the Russian economy as of December 2008. Russia's largest revenues came from its oil and natural gas sales. Natural gas exports earned about \$65 billion in 2008; crude oil earned \$151.7 billion.³² But in 2009 Russian GDP fell by 7.9 % in comparison to 5.2% growth in 2008 and 8.5% growth in 2007.³³ 2009 was the worst year in the history of the Russian gas industry; the volume of gas extraction was reduced by 12.4%.³⁴ Gas exports decreased 15.8% by volume and more than one-third by revenue to less than \$42 billion. Nevertheless, the Russian government's prognosis for 2010 shows GDP growth of up to 4%.

At the end of 2009 President Medvedev announced the principles of a new political strategy which aims "to overcome our (Russian) chronic backwardness, dependence on raw materials exports, and corruption."³⁵ He asserts that "Russia needs several decades to

³¹- Jame F. Collins, Matthew Rojansy, "Why Russia Matters: Ten Reasons Why Washington Must Engage Moscow," *Foreign Policy* (18 August, 2010), <http://www.foreignpolicy.com/articles/2010/08/18/why_russia_matters>.

³²- Ariel Cohen, Richard E. Ericson, "Russia's Economic Crisis and U.S.-Russia Relations: Troubled Times Ahead," *Heritage* (November 2009), <<http://www.heritage.org/Research/RussiaandEurasia/bg2333.cfm>>.

³³- <<http://www.kreml.org/news/254438283>>.

³⁴- <<http://lenta.ru/news/2010/09/02/gas1>>.

³⁵- Presidential Address to the Federal Assembly of the Russian Federation. Moscow (12 November, 2009), <<http://eng.kremlin.ru/transcripts/297>>.

gradually build up an efficient political and economic system.”³⁶ To reach its modernization objectives, Russia requires more access to U.S. and European technology and know-how, and it also needs foreign investment.

The transfer of presidential power to new leaders in Moscow (2008) and Washington(2009) was yet another factor which influenced the change in bilateral relations. Presidents Medvedev and Obama could not ignore the precedents set by their predecessors since the fall of Berlin Wall to improve the Russian–U.S. relations after coming into power. But this time the situation is different; the stakes are very high. President Obama plans to reestablish the global political and moral leadership of the United States by giving new impetus to the internal development of his country and strengthening international cooperation. He has shifted from the “War on Terror” as an ideological basis for the U.S. foreign policy in favor of his vision for “a world free of nuclear weapons.” Barack Obama invited Russia to back his idea.

President Medvedev could not reject this U.S. initiative even though it represented an idealistic vision of the possible total elimination of nuclear weapons. While striving to reduce nuclear arms, the Russian leader wants to pursue a more difficult objective—to modernize Russia and make it a truly equal partner to the United States. Cooperation with the U.S. will make the task of bringing Russia into the club of world economic leaders more achievable.

³⁶– “Russia-U.S. elations and Russia’s Vision for International Affairs,” President Medvedev’s Remarks at the Brookings Institute, Washington D.C. (13 April, 2010), <http://www.brookings.edu/media/Files/events/.../2010041320100413_medvedev.pdf>.



For the first time, political, economic and security concerns are forcing the United States and Russia to expand their cooperation beyond the traditional strategic stability agenda. The modern security environment calls for the mutual efforts of both countries to provide a peaceful transition from the post—bipolar world order.

For these and other reasons, we should expect to see changes in Russia—U.S. relations now that the “reset” has been declared.

3. Relations After the “Reset”: Intentions and Realities

In December 2008 then President—elect Obama called for a “reset” in U.S.—Russia relations. He argued that the United States and Russia have mutual interests in a number of areas, such as nuclear nonproliferation, terrorism, and Afghanistan, and that it should be possible to cooperate practically in these areas even as the countries disagree on some other issues.³⁷

This proposal coincided with Moscow’s vision of future Russian—U.S. relations as revealed in “The Foreign Policy Concept of the Russian Federation” approved by President Dmitry Medvedev on July 12, 2008. This document stated that in building its relations with the U.S., “Russia is interested in making effective use of the existing broad infrastructure for interaction, including a continued dialogue on foreign policy, security and strategic stability issues.” It was stressed

³⁷– Philip H. Gordon, “U.S.-Russian Relations,” Statement before the House Foreign Relations Committee, Washington D.C. (28 July, 2009), <<http://www.state.gov/p/eur/rls/rm/2009/126537.htm>>.

that “The long—term priorities of the American track in Russian policy consist of putting the relationship with the U.S. on a solid economic foundation and ensuring joint development of a culture for resolving differences on the basis of pragmatism and respect for the balance of interests, which will ensure greater stability and predictability in the Russian—U.S. relations.”³⁸

President Medvedev stated that it was “necessary to transform Russia—U.S. relations into strategic partnership.”³⁹ A year later he signed “The National Security Strategy of The Russian Federation till 2020,” which proclaimed this idea as a guiding principle of the Russian stance towards the U.S.⁴⁰

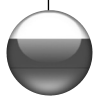
The American approach to the “reset” had a more narrow and pragmatic meaning, because President Obama did not intend to change the U.S.’ grand strategy. In his inaugural address on January 21, 2009 he said that the United States “is ready to lead once more.”⁴¹ Later, in May 2010, he reiterated this statement in the U.S. National Security Strategy(NSS): “Our national security strategy is focused on renewing American leadership so that we can more effectively advance

³⁸— “The Foreign Policy Concept of the Russian Federation,” Approved by Dmitry A. Medvedev, President of the Russian Federation (12 July, 2008), <<http://www.scrf.gov.ru/documents/25.html>>.

³⁹— *Ibid.*

⁴⁰— “Russia will aspire to build equal and substantial strategic partnership with The United States of America,” See Art. 18 of “The National Security Strategy of the Russian Federation till 2020,” approved by Dmitry A. Medvedev, President of the Russian Federation (12 May, 2009), <<http://www.scrf.gov.ru/ documents /99.html>>.

⁴¹— President Barack Obama’s Inaugural Address, <<http://www.whitehouse.gov/blog/ inaugural-address>>.



our interests in the 21st century. ... Our national security depends upon America's ability to leverage our unique national attributes, just as global security depends upon strong and responsible American leadership."⁴² As "Russia has reemerged in the international arena as a strong voice," the United States decided "to build a stable, substantive, multidimensional relationship with Russia, based on mutual interests," and to "seek greater partnership with Russia in confronting violent extremism, especially in Afghanistan."⁴³

The U.S. NSS was published one year after the first practical results of the "reset" appeared during the three-day summit in Moscow in July 2009. In a document released in support of the new Obama strategy, the White House declared that "The reset has developed a series of accomplishments critical to our national security and national interests including the new START Treaty, agreement on an Iran Tehran Research Reactor proposal, agreement on a robust UN Security Council sanctions resolution, halting of the delivery of the S-300 anti-missile system to Iran, agreement to allow transit of non-lethal and lethal equipment through Russia to Afghanistan for ISAF and U.S. forces, and Russian support for UN Security Council resolution 1874 in response to North Korea's nuclear test."⁴⁴ These

⁴² The White House, "National Security Strategy of the United States of America," (Washington D.C., May 2010).

⁴³ *Ibid.*

⁴⁴ The White House, Office of the Press Secretary, "Advancing Our Interests: Actions in Support of the President's National Security Strategy," (27 May, 2010), <<http://www.whitehouse.gov/the-press-office/advancingour-interests-actions-support-presidents-national-security-strategy>>.

accomplishments fully reflected the primary U.S. objectives behind the “reset.” Nevertheless, it seems that the White House was not totally satisfied with the substance and quality of the new relations with the Kremlin, as U.S. NSS—2010 promised that the United States “will support the sovereignty and territorial integrity of Russia’s neighbors.” That looked like a signal to Moscow that the “reset” and strategic partnership are not two sides of the same coin. Later events proved this assumption.

But up to that time, Russia and the U.S. managed to improve the atmosphere of the bilateral relationship. During the July 2009 summit, Presidents Medvedev and Obama signed eight agreements and statements. Moscow was interested in signing the Joint Understanding on the Basic Framework for the Strategic Arms Reduction Treaty, which made the conclusion of a new agreement more probable. The presidents also agreed to conduct a joint ballistic missile threat assessment and signed a Joint Statement on Missile Defense Issues. They established the Bilateral Presidential Commission, which is to promote Russia—U.S. cooperation in all spheres (politics, economy, military, science, education, culture, sports, tourism, etc.) and monitor the development of the relationship.

Washington was pleased by the signing of the agreement which opened Russian skies for transporting troops and weapons to Afghanistan. The agreement permitted 4,500 flights per year through Russian airspace and saved the U.S. government \$133 million annually in transportation costs. It also allowed for diversification of supply lines and reduced transit times and fuel usage.

Presidents Medvedev and Obama also signed a Joint Statement on Nuclear Cooperation and agreed to broaden cooperation to increase the level of security of nuclear facilities worldwide. Both sides remain committed to implementing the disposition agreement; they will dispose of 34 metric tons each of weapons-grade plutonium. The United States pledged to renew efforts to open a joint data exchange center in Moscow. The center would allow for the sharing of missile launch data between the two countries in an effort to reduce or eliminate the chances of an inadvertent launch due to misunderstandings over a test or other benign missile launch.

Since the Moscow summit, the United States and Russia have changed their stances on several contradicting issues.

The U.S. started building its relations with Russia (at least officially, according to the new NSS) on the basis of “mutual interests,” thus putting the promotion of values on a separate agenda.

On September 17, 2009 the United States announced the new Phased Adaptive Approach for European missile defense. This did not mean that the U.S. intended to eliminate one of the main irritators in its relations with Russia. Washington changed the missile defense system’s structure and deployment time. However, this initiative enabled President Obama to lessen the degree of anti-Americanism in Russia, which was very high at the end of 2008 after the war in the Caucasus.

At the same time, NATO Secretary General Rasmussen started discussions on possible cooperation with Russia in developing Europe’s missile defense system. He suggested that Russia should realize that



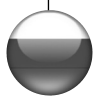
such a missile defense system protects not only European countries but also the Russian population against real missile threats, and it is not directed against Russia. In his view, “Such joint efforts would create a common Euro–Atlantic security architecture which at the end of the day would improve the overall security environment in Europe and North America.”⁴⁵ Rasmussen’s recommendation was a Western version of the Russian proposal to renovate the existing European security system; it stimulated NATO–Russia dialogue on Afghanistan, counter–terrorism, narcotics, piracy and arms control.

Russia adapted its position on Iran’s nuclear program and did not block UN Security Council Resolution 1929, which imposed the most comprehensive set of sanctions against Iran. Moreover, on September 22, 2010 President Medvedev issued a decree forbidding the delivery of five S–300 batteries to Iran, even though a Russian–Iranian contract worth \$800 million had been signed in 2007. Overall Russian losses as the result cutting military–technical cooperation with Iran could exceed \$10 billion.⁴⁶ It was not an easy decision for Russia, as Moscow had a special relationship with Tehran due to their long–standing historical, political, and economic ties, and did not appear willing to risk them earlier to accommodate U.S. concerns about the Iranian nuclear program.

Moscow has agreed to resume military contacts with Washington.

⁴⁵– Closing press conference by NATO Secretary General Anders Fogh Rasmussen at the informal meeting of NATO Foreign Ministers. Tallinn (23 April, 2010), <http://www.nato.int/cps/en/natolive/opinions_62896.htm>.

⁴⁶– <<http://lenta.ru/news/2010/09/22/s300.htm>>.



In August 2010 Russia and the U.S. conducted “Vigilant Eagle,” the first joint counter air – terrorism exercise between the North American Aerospace Defense Command (NORAD) and the Russian Air Force. Originally this exercise should have taken place in 2008, but only in December 2009 did Russia and the U.S. revisit that idea. In September 2010 Russian Defense Minister Serdyukov visited the Pentagon (the previous visit by the Russian defense minister had taken place in 2005), where he and U.S. Defense Secretary Gates signed a memorandum of understanding outlining the future of U.S. – Russia relations. This memorandum replaced the earlier 1993 document. Serdyukov and Gates also signed an agreement creating a Defense Relations Working Group and decided to resume bilateral military exercises and troop exchanges, starting with three Russian soldiers attending a U.S. Army noncommissioned officers’ school in Germany.⁴⁷ Minister Serdyukov’s visit to Washington got a generally positive appraisal from the Russian media.

Changes in Russia – U.S. relations have produced some other important results. Since the Afghanistan Air Transit Agreement was signed in July 2009, the United States has expanded the volume of supplies to U.S. troops in Afghanistan through the northern distribution route. “Over 35,000 U.S. personnel and troops have flown to Afghanistan via the Russian routes. Russian companies also have provided vital airlift capacity for over 12,000 flights in support of the

⁴⁷– “Gates, Serdyukov Renew U.S. – Russia Military Ties,” *American Forces Press Service*, Washington D.C. (15 September, 2010), <<http://www.defense.gov/news/newsarticle.aspx?id=60877>>.

U.S. operations in Afghanistan and Iraq, thirty percent of the fuel U.S. military troops use in Afghanistan, and over 80 Mi-17 helicopters to the Afghan National Army, Afghan National Police, and Afghan Drug Interdiction Forces.”⁴⁸ At present, 30% of supplies to American troops in Afghanistan travel over the northern route.

The New START Treaty has become the main achievement of the “reset” for Russian President Dmitry Medvedev. By contrast, U.S. President Barack Obama encountered new problems in relations with his Republican opponents, who accused him of neglecting U.S. interests related to ballistic missile defense and helping Russia to manage its aging nuclear arsenal. The ratification process of the new treaty in the U.S. Senate has coincided with the congressional elections of November 2010. Probably for these reasons, the U.S.–Russia spy scandal erupted two days after President Medvedev’s visit to the United States in June 2010.

The idea behind the scandal was to remind the American public and the world that the practical results of the “reset” have not changed the U.S. strategy of “principled engagement with Russia.”⁴⁹ A month later the U.S. State Department accused Russia of violating its obligations in the spheres of arms control, nonproliferation and disarmament. In a week’s time, the Russian Ministry of Foreign

⁴⁸– The White House, Office of the Press Secretary, “U.S.-Russia Relations: ‘Reset’ Fact Sheet,” Washington D.C. (24 June, 2010), <<http://www.america.gov/st/texttransenglish/2010/June/20100624173821SBlebahC0.7488476.html>>.

⁴⁹– Philip H. Gordon, “U.S.-Russian Relations Under the Obama Administration,” Remarks at the German Marshall Fund, Washington D.C. (16 June, 2010), <<http://www.state.gov/p/eur/rls/rm/2010/143275.htm>>.



Affairs(MFA) replied with its own ten—page document, “The Facts of Violation by the United States of its Obligations in the Sphere of Nonproliferation of Weapons of Mass Destruction and Arms Control .”⁵⁰ Before that, the Russian MFA criticized the U.S. — Polish protocol on placing SM—3 missiles in Polish territory. That protocol was signed on July 3, 2010.

That same week, U.S. Secretary of State Hillary Clinton during a visit to Tbilisi described the Russian military presence in Abkhazia and South Ossetia as an “invasion and occupation.” High ranking U.S. officials had not used such strong language for over a year.⁵¹ But it was only the beginning. In one of his interviews in the first days of August 2010, Senator John McCain said, “Maybe the administration feels they have developed a better relationship with Russia, and maybe they have, but there has not been an improvement in Russian behavior: in fact, it has gotten worse.”⁵² The situation started looking as if both sides have forgotten about their “reset deal.”

Moscow, for its part, had grounds to be not very pleased with its own achievements in relations with Washington. The U.S. rejected President Medvedev’s proposal on a European security treaty soon

⁵⁰— “The Facts of Violation by the United States of its Obligations in the Sphere of Nonproliferation of Weapons of Mass Destruction and Arms Control,” Russian Ministry of Foreign Affairs, Moscow (7 August, 2010), <http://www.mid.ru/brp_4.nsf/0/CC9C7D192F0EBC5AC325777A0057E1AE>.

⁵¹— “U.S.-Russia Reset on the Skids,” *Asia Times Online* (10 July, 2010), <http://www.atimes.com/atimes/Central_Asia/LG1010Ag02.html>.

⁵²— Eli Lake, “Russian Actions Don’t Jibe With Reset,” *The Washington Times* (11 August, 2010), <<http://www.washingtontimes.com/news/2010/aug/11/russian-actions-dont-jibe-with-reset/?page=1>>.

after he sent the draft of the treaty to Western leaders at the end of November 2009. The United States decided that “Common goals are best pursued in the context of existing institutions, such as the OSCE and the NATO–Russia Council, rather than by negotiating new treaties, as Russia has suggested.”⁵³ Washington continued to exercise the policy of strengthening its own positions in the post–Soviet region. Georgia received \$1 billion from the U.S. to compensate for its losses in the 5–day war. The International Monetary Fund(IMF) announced the dispersal of a \$14.9 billion loan for the Ukraine in July 2010, at the very same time when Moscow was trying to interest the Ukraine in joining the customs union with Russia, Kazakhstan and Belarus.

Moscow’s plan to “put its relationship with the U.S. on a solid economic foundation” came across serious difficulties. General Motors refused to sell Opel to Russia. Mutual trade, which had risen from \$14.8 billion in 2004 to \$36.1 billion in 2008, dropped to \$24 billion in 2009. Two–way investment was even smaller. There was little progress on accelerating Russia’s accession to WTO or repealing the Jackson–Vanick Amendment, a relic of the Cold War designed to support the free emigration of Soviet Jews. In his speech at the Brookings Institute this year President Medvedev gave his assessment of Russia–U.S. economic relations, stating, “Economic cooperation between our two countries ... is the area that most failed in our relationship. ... There are no economic results so far.”⁵⁴

⁵³– “Clinton’s Remarks on the Future of European Security,” Speech at L’Ecole Militaire, Paris (29 January, 2010), <http://www.cfr.org/publications/21364/clintons_remarks_on_the_future_of_european_security_january_2010.html>.



Taking these circumstances into account, Russia resolved to improve the situation and give a new impetus to the “reset.” On September 17, the Russian state corporation Rostekhnologiya and the U.S. corporation Boeing signed a contract worth \$3.73 billion,⁵⁵ according to which Russia will receive 50 Boeing–737 aircraft, with the first plane due to be shipped in 2013. Russia has shown preference to Boeing over Airbus. This multi–billion sale will create potentially 44,000 new jobs in America’s aerospace industry.⁵⁶ Two days prior to the signing of the contract with Boeing the Russian defense minister revived Russia–U.S. military relations, and five days after the signing President Medvedev made one more attempt to strengthen the bilateral relationship by interdicting the shipment of S–300 missiles to Iran. This was no coincidence.

All these events could have direct impact on the forthcoming vote on the New START Treaty in the U.S. Senate and on the results of the November 2, 2010 congressional elections. Both Medvedev and Obama need a successful “reset” and the ratification of the new treaty for the sake of their respective 2012 re–election efforts. Right now they are doing what they can for the successful ratification of the New START Treaty.

54. “Russia-U.S. Relations and Russia’s Vision for International Affairs,” (13 April, 2010).

55. <<http://lenta.ru/news/2010/09/17/contract>>.

56. The White House, Office of the Press Secretary, “U.S.-Russia Relations: ‘Reset’ Fact Sheet,” (24 June, 2010),

4. The New Start Treaty: Will it Boost Russia– U.S. Relations?

The signing of the New START Treaty in April 2010 generated a wave of hot debate in Moscow and Washington about the possible implications of this treaty on current and future relations between Russia and the United States, on their internal and foreign policy, and on the substance and evolution of the international security system.

According to this treaty the United States of America and the Russian Federation have agreed to reduce and limit their intercontinental ballistic missiles(ICBM), ICBM launchers, sea launched ballistic missiles(SLBM), SLBM launchers, heavy bombers, ICBM warheads, SLBM warheads, and heavy bomber nuclear armaments, so that, effective seven years after the treaty comes into force, “the aggregate numbers do not exceed: (a) 700, for deployed ICBMs, deployed SLBMs, and deployed heavy bombers; (b) 1550, for warheads on deployed ICBMs, warheads on deployed SLBMs, and nuclear warheads counted for deployed heavy bombers; (c) 800, for deployed and non deployed ICBM launchers, deployed and non –deployed SLBM launchers, and deployed and non –deployed heavy bombers.”⁵⁷

The treaty established that each country will have “the right to determine for itself the composition and structure of its strategic offensive arms.” It also introduced a new counting rule for strategic

⁵⁷- See Article II of the “Treaty between the United States of America and the Russian Federation on Measures for Further Reduction and Limitation of Strategic Offensive Arms,” (8 April, 2010), <<http://www.whitehouse.gov/blog/2010/04/08/new-start-treaty-and-protocol>>.

bombers—“one nuclear warhead shall be counted for each deployed heavy bomber.” For that reason, “a heavy bomber equipped for nuclear armaments shall be distinguishable from a heavy bomber equipped for non—nuclear armaments.” They cannot have joint basing.

If ratified, the treaty will reduce the number of deployed strategic nuclear warheads by nearly two thirds from level of the START 1 Treaty, and by one third from the deployed strategic warhead limit of the 2002 Moscow Treaty. The number of nuclear missile launchers will be reduced by half. A new inspection and verification regime will be established, replacing the mechanism defined by the earlier treaty. The treaty will last ten years, with an option to renew it for up to five years upon agreement of both parties. The treaty will come into force on the date of the exchange of instruments of ratification.

In Russia, New START was welcomed by those pushing Russia—U.S. relations forward. The official Russian assessment of the signed treaty was disclosed by Russian Foreign Minister Lavrov, who said, “Without exaggeration, the START—2010 Treaty marked the transition of Russia and the U.S. to a higher level of interaction in the military—strategic sphere and made it possible to jointly define new benchmarks in the field of disarmament and nonproliferation. ... One should understand that this agreement is, for the Russian Federation, considerably more than a separate project in the field of disarmament. The treaty is being purposefully fitted into Russia’s conceptual approaches to international security cooperation.”⁵⁸ Minister

⁵⁸– Sergei Lavrov, “New START Treaty in the Global Security Matrix: The Political Dimension,” (July 2010).



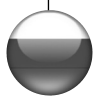
Lavrov pointed out that START–2010 is an absolutely equitable document both in letter and in spirit.

Russian opponents of the treaty stress that the new agreement does not impose restrictions on the development of missile defense systems. They are not satisfied with the fact that the Russian Federation has reserved the right to terminate the treaty if the quality and quantity of capacity–building for U.S. anti–missile systems begins to pose a threat to the potential of Russian strategic nuclear forces and that the Russian side will determine the degree of such influence independently. From their point of view it may be too late to terminate this treaty when U.S. ballistic missile defense capabilities start to threaten Russian offensive potential.

In the U.S., the treaty has become a focal point of an intensifying political struggle. In a joint statement released after the Senate Foreign Relations Committee voted 14:4 in favor of ratifying New START, Secretaries Clinton and Gates proclaimed that, “If ratified, this agreement will advance some of our most critical national security objectives. It will provide stability and predictability between the world’s two leading nuclear powers.”⁵⁹ On the contrary, some of President Obama’s opponents declare that “The New START treaty weakens U.S. National security.”⁶⁰ Their main arguments are: Russia

⁵⁹– “Joint Statement by Secretary Gates and Secretary Clinton on the Foreign Relations Committee Approval of the New START Treaty,” (16 September, 2010), <http://www.defense.gov/Releases/Release.aspx?Release_ID=13886>.

⁶⁰– See Jim DeMint, “The New START Treaty Weakens U.S. National Security,” (16 August, 2010), <<http://politics.usnews.com/opinion/articles/2010/08/16/jim-demint-the-new-start-treaty-weakens-us-national-security.html>>. Jim DeMint is a



is reducing its strategic nuclear weapons by necessity, while the U.S. is reducing its weapons by choice; Russia continues to oppose U.S. plans for missile defense, when Russia should not be permitted to dictate whether the U.S. can develop missile defense capabilities; Russia is modernizing its nuclear arsenal; the treaty allows Russia to maintain tactical nuclear superiority; U.S. non-nuclear strategic offensive arms (for prompt conventional global strikes) would be counted under the treaty's limits; it is not certain that the U.S. nuclear arsenal after the implementation of New START will reliably deter all adversaries in all cases over the next 10 years; and finally, Russia has not embraced Obama's vision of a world free of nuclear weapons.⁶¹

Independent analysts draw attention to the fact that the new treaty has not changed the essence of Cold War style deterrence and has not altered a very important characteristic of the U.S. and Russian nuclear arsenals: their launch-ready alert postures.⁶² There are those, like Hans Kristensen, who assume that "While the treaty reduces the *legal limit* for deployed strategic warheads, it doesn't actually reduce the *number* of warheads. Indeed, the treaty does not require destruction of a single nuclear warhead and actually permits the United States

Republican senator from South Carolina and a member of the Foreign Relations Committee.

⁶¹ See for example, David J. Trachtenberg, "Six Myths about the 'New START' Treaty," available at <<http://www.defensestudies.org/?p=2093>>; Stephen G. Rademaker, "The Kremlin's Nuclear Trump Card," *The Moscow Times* (28 June, 2010), <<http://www.themoscowtimes.com/opinion/article/the-kremlins-nuclear-trump-card/409166.html>>.

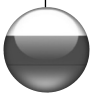
⁶² Bruce Blair, Victor Esin, Matthew McKinzie, Valery Yarynich and Pavel Zolotarev, "Smaller and Safer," *Foreign Affairs* (September/October 2010), pp. 9–16.

and Russia to deploy almost the same number of strategic warheads that were permitted by the 2002 Moscow Treaty. ... Indeed, the New START Treaty is not so much a nuclear *reductions* treaty as it is a *verification* and *confidence building* treaty. It is a ballistic missile–focused treaty that essentially removes strategic bombers from arms control.’⁶³

Despite some exaggeration, Kristensen’s remarks come very close to the truth: the reasons for signing the New START treaty were not of a military–strategic character but rather they were political and tactical for the United States and economic and political for the Russian Federation. The U.S. and Russia had diverse short–term and long–term objectives. The United States’ priorities with respect to Russia were and still are Afghanistan, Iran, and post–Soviet space. Moscow’s priorities differ from those of Washington hindering further NATO expansion, preventing the establishment of U.S. missile defense sites close to Russian borders, and maintaining and enhancing Russia’s influence in nearby foreign territories.

Moscow and Washington see the future of nuclear weapons differently. In the foreseeable future, Russia cannot afford to consider the possibility of becoming a nonnuclear state. Nuclear weapons constitute the basis of its security. The United States, due to its current economic, technological, and conventional military superiority, is interested in eliminating nuclear weapons as they pose a real threat to its

⁶³– Hans M. Kristensen, “New START Treaty Has New Counting,” <<http://www.fas.org/blog/ssp/2010/03/newstart.php#more-2826>>.



security. Thus there is a genuine conflict of interests, and New START is actually an intermediate goal for both sides. To make this treaty into a platform for improving bilateral relations, Russia and the United States have to find a link between traditional security issues and new security challenges which both countries consider equally urgent—for example, by cooperatively developing a global missile defense system or globalizing the Russian—American Intermediate—Range Nuclear Forces Treaty (INF).

This is no easy task, especially when we consider that both sides are firm in their intentions to strengthen their nuclear postures. On September 14, 2010 Defense Secretary Robert Gates outlined a strategy of contracting goods and services for the U.S. armed forces, stating, “The Pentagon will be starting up several new programs in the near future, including the next—generation ballistic missile submarine. The acquisition cost of these new programs is over 200 billion.”⁶⁴ Russia, for its part, is hard at work on the “Bulava” SLBM program.

Some members of the previous U.S. administration think that this objective is simply not achievable. David J. Kramer, who served as deputy assistant secretary of state responsible for Belarus, Moldova, Russia, and Ukraine from 2005—2008, wrote in January 2010 that “The reality is that the current Russian leadership does not, for the most part, share U.S. interests or threat perceptions, to say nothing of U.S. values. ... Relations are not likely to improve appreciably

⁶⁴ “Gates Unveils Strategy to Cut Costs, Boost Efficiency,” *American Forces Press Service*, Washington D.C. (14 September, 2010), <<http://www.defense.gov/news/newsarticle.aspx?id=60854>>.

because of fundamental differences in values, interests, and outlook between the two countries' leaderships. In fact, Russian leaders' actions and rhetoric continue to raise serious doubts about their interest in really resetting relations. Four issues are likely to dominate the relationship for the foreseeable future: policy toward Russia's neighbors, missile defense, strategic challenges such as Iran, and developments inside Russia. Alas, none of these issues offers much promise for building a strong foundation for the bilateral relationship."⁶⁵

David Kramer is not at all interested in whether the Russian people approve of his idea to make Russian internal affairs the hot topic of future U.S. – Russia relations, because he knows who is responsible for the current status of bilateral relations. “A paranoid Russian leadership that sees threats everywhere, but particularly from the United States, makes for a very difficult partner for the Obama administration. It does not mean that there are no areas on which the United States and Russia can cooperate (e.g., North Korea, nonproliferation) or that the United States should give up on the relationship. Until there is real change in Russian behavior and policy, both internally and in its foreign policy, the Obama administration's efforts to reset relations are not likely to be reciprocated.”⁶⁶

More “sober” voices predict that “New START is likely to be the last arms control agreement signed with Russia for a long time to come.”⁶⁷ If the authors of these predictions and those with similar

⁶⁵– David J. Kramer, “Resetting U.S.-Russian Relations: It Takes Two,” *The Washington Quarterly* (January 2010), pp. 61 – 79.

⁶⁶– *Ibid.*, p. 75.

visions of the future return to power in Washington, then New START will never be able to boost Russian–U.S. relations, even if it safely passes the ratification process and comes into force.

It is obvious that, in the short–and mid–term, New START will have little impact on the state of military security of either Russia or the United States, as they have no objective reason to fight each other. But that does not mean that the implementation of this treaty will not improve the general atmosphere of bilateral relations or raise the level of predictability and mutual trust in international relations.

5. Conclusion

The main achievements of the “reset” are a changed atmosphere in Russia–U.S. bilateral relations and cooperation on Afghanistan. The New START treaty offers a chance to sustain the nonproliferation regime. There is also some hope that the warming of Russia–U.S. relations could contribute to improving Russia’s relations with the states of Central and Eastern Europe. Resolving some regional security problems could provide a new impetus as well.

The “reset,” however, did not bring about fundamental changes in Russia–U.S. relations. They remain “an uneasy mix of competition and cooperation,” as William J. Burns described the situation during

⁶⁷– Stephen G. Rademaker, “The Kremlin’s Nuclear Trump Card,” (28 June, 2010), <<http://www.themoscowtimes.com/opinion/article/the-kremlins-nuclear-trump-card/409166.html>>.



his stay in Moscow from 2005–2008 as the U.S. ambassador to Russia.⁶⁸ In his terminology, the “reset” evolution can be divided into three different parts and described as “thoughts about cooperation” (December 2008–June 2009), “cooperation” (July 2009–April 2010) and “competition” (after April 8, 2010).

U.S.–Russia relations are now more dependent on external factors than on the will of American and Russian leaders. The U.S. strategy of “selective cooperation” with Russia is unlikely to change, as Russia is not the first priority in U.S. foreign policy. Washington plays the leading role in the “reset” policy’s execution.

Strategic cooperation in its broadest sense has not become a part of the mutual agenda. From the very beginning Russia and the U.S. have had different goals. Russia’s goal is to promote national development in order to become one of the main centers of the emerging international system. The United States wishes to establish productive relationships in order to reassert its global leadership.

Russian–American relations today have not reached their potential, and what is more, they do not meet the needs of the current age. The United States and Russia should be more persistent and ambitious in defining a common agenda. In any case, they will remain important to each other as either partners or adversaries. It is not difficult for the United States now to deal with “Russia as an adversary” due to the power imbalance, but it is not easy for Russia to be a partner of

⁶⁸– William J. Burns, “The United States and Russia in a New Era: One Year After ‘Reset,’” Center for American Progress (14 April, 2010), <<http://www.state.gov/p/us/rm/2010/140179.htm>>.

a global actor who exercises “manipulative leadership.” It is time to decide at last which option best suits not only American and Russian interests but world community’s interests as well. The current historical moment gives both sides a chance to make the right choice.



■ References ■

1. Articles

- Blair, Bruce. *et al.* “Smaller and Safer.” *Foreign Affairs*. September/October 2010.
- Burns, William J. “The United States and Russia in a New Era: One Year after ‘Reset’.” Center for American Progress. April 2010.
- Cohen, Ariel and Richard Ericson. “Russia’s Economic Crisis and U.S.-Russia Relations: Troubled Times Ahead.” *Heritage*. November 2009.
- Collins, James F. and Matthew Rojansky. “Why Russia Matters: Ten Reasons Why Washington Must Engage Moscow.” *Foreign policy*. 18 August, 2010.
- Friedman, George. “9/11 and the 9-Year War.” *Strategic Forecasting*. 8 September, 2010.
- Gordon, Philip H. “U.S.-Russian Relations.” Washington D.C.: Statement before the House Foreign Relations Committee. 28 July, 2009.
- Graham, Thomas. “U.S.-Russia Relations: Facing Reality Pragmatically.” Washington D.C.: Center for Strategic and International Studies. July 2008.
- Kramer, David J. “Resetting U.S.-Russian Relations: It Takes Two.” *The Washington Quarterly*. January 2010.
- Kramer, Franklin D. “NATO Initiatives for an Era of Global Competition.” Washington D.C.: Atlantic Council. March 2010.
- Kristensen, Hans M. “New START Treaty Has New Counting.” *Fas*. March 2010.

Lavrov, Sergei. "New START Treaty in the Global Security Matrix: The Political Dimension." *Mezhdunarodny Zhizn*. No. 7, July 2010.

Nation, R. Craig. "Results of the 'Reset' in U.S.-Russian Relations." Paris: IFRI Russia/NIS Center. July 2010.

Rumer, Eugene and Stent, Angela. "Repairing U.S.-Russian Relations: A Long Road Ahead." The Institute for National Strategic Studies at National Defense University and the Center for Eurasian, Russian and East European Studies in the School of Foreign Service at Georgetown University. April 2009.

2. News Articles, Electronic Resources, etc.

American Forces Press Service. "Gates Unveils Strategy to Cut Costs, Boost Efficiency." Washington D.C., 14 September, 2010.

_____. "Gates, Serdyukov Renew U.S.-Russia Military Ties." Washington D.C., 15 September, 2010.

Clinton's Remarks on the Future of European Security. Speech at L'Ecole Militaire, Paris. 29 January, 2010.

Foreign Policy Concept of the Russian Federation, Moscow, 12 July, 2008.

Joint Statement by Secretary Gates and Secretary Clinton on the Foreign Relations Committee Approval of the New START Treaty. 16 September, 2010.

Medvedev, D. "Russia-U.S. Relations and Russia's Vision for International Affairs." President Medvedev's Remarks at the Brookings Institute. Washington D.C., 13 April, 2010.



Medvedev, D. A Presidential Address to the Federal Assembly of the Russian Federation. Moscow, 12 November, 2009.

Office of the Press Secretary. “Advancing Our Interests: Actions in Support of the President’s National Security Strategy.” The White House. 27 May, 2010.

Putin, Vladimir. “Vystuplenie i diskussya na Myunkhenskoj konferentsii po voprosam politiki bezopasnosti.” Speech at the Munich Conference on Security Policy. 10 February, 2007.

Russian Ministry of Foreign Affairs. “Facts of Violation by the United States of its Obligations in the Sphere of Nonproliferation of Weapons of Mass Destruction and Arms Control.” Moscow, 7 August, 2010.

Korea Research Institute for Strategy. “The Strategic Balance in Northeast Asia.” December 2009.

The White House Office of the Press Secretary. “U.S.-Russia Relations: ‘Reset’ Fact Sheet.” Washington D.C., 24 June, 2010.

The White House. “National Security Strategy of the United States of America.” Washington D.C., May 2010.

Treaty between the United States of America and the Russian Federation on Measures for Further Reduction and Limitation of Strategic Offensive Arms. 8 April, 2010.

Asia Times Online.

The Moscow Times.

The Washington Times.

U.S. News.

<<http://eng.kremlin.ru>>.
<<http://lenta.ru>>.
<<http://news.yahoo.com>>.
<<http://politics.usnews.com>>.
<<http://www.acus.org>>.
<<http://www.america.gov>>.
<<http://www.atimes.com>>.
<<http://www.brookings.edu>>.
<<http://www.cfr.org>>.
<<http://www.csis.org>>.
<<http://www.defense.gov/news>>.
<<http://www.defensestudies.org>>.
<<http://www.fas.org>>.
<<http://www.foreignpolicy.com>>.
<<http://www.heritage.org>>.
<<http://www.in.mid.ru>>.
<<http://www.mid.ru>>.
<<http://www.nato.int>>.
<<http://www.nixoncenter.org>>.
<<http://www.pearltrees.com>>.
<<http://www.scrf.gov.ru>>.
<<http://www.state.gov>>.
<<http://www.stratfor.com>>.
<<http://www.themoscowtimes.com>>.
<<http://www.whitehouse.gov>>.



III. Russian Security Strategy in Northeast Asia and the North Korean Nuclear Issue

Vasily Mikheev



1. Introduction

The main problem for Russian security strategy on the whole, as well as in Northeast Asia(NEA), is that Russia, in practical and not hypothetical terms, does not have a single state diplomatic policy. In realpolitik, security diplomacy is worked out and implemented on several levels:

- The highest level: the presidential and prime ministerial level.
- The ministerial level:
 - The Foreign Ministry continues its traditional diplomacy, nowadays with more stress on Russia – EU relations, including the problem of establishing a visa – free regime.
 - The Defense Ministry emphasizes weapons exports and, more recently, development of world – wide military cooperation, including joint military exercises with all the main powers – the U.S., China, Japan, Canada, etc.
 - The security services emphasize the struggle against terrorism and drug trafficking.
 - The Economic and Trade Ministry is not much of a presence in global and regional diplomacy.
 - The Financial Ministry’s role has begun to grow against the background of the global financial crisis and the restructuring of the world financial architecture. Russia wants to be one of those who have a say in these financial transformations.
- The corporate level: More and more Russian big corporations are competing on the global and regional markets; for instance,



Rosneft in China and the NEA.

- The experts' level: The Russian analytical community is becoming more active in presenting to Russian and global leaders their own visions of global and regional developments.

In general, the main trend in multilevel Russian diplomacy is that Russia, on all these levels, is becoming more open to global and regional cooperation—in spite of a lack of efficient inter—level diplomacy coordination.

The most important element in Russia's realpolitik is the highest level of diplomacy.

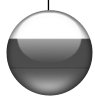
2. Conceptual Background

The conceptual philosophy of the power transition process in Russia from Putin to Medvedev, at the very beginning, was continuity of policy.

In regard to Northeast Asia, this means that Medvedev is following Putin's course of slowly but surely paying more attention to the region. However, Medvedev is still failing to present a comprehensive strategy for the Russia—Northeast Asia relationship.

In mid—2010, this situation started to change. Russian leaders invited political and expert communities to work jointly on the formulation of a new Russian security strategy towards NEA. A few factors have accelerated the process.

Firstly, as the new presidential elections in 2012 draw closer,



Medvedev needs to express his own position in Russian domestic and security policy. The reset of Russia–U.S. relations, the new programs for gas and economic development in the Russian Far East that started in 2007/2013/2008, and the preparation of a new strategic agenda for Russia–EU relations are examples of the president’s activity.

Secondly, the economic and political situation in NEA is developing very quickly, presenting Russia with new risks, challenges and opportunities. The financial crisis demonstrated that NEA, with China at the core, overcame the crisis’ negative consequences more rapidly than other world regions. Russia, objectively, has to adjust its policy to the rapid rise of China and look for opportunities to enter NEA’s energy market and use NEA’s economic integration potential to develop Russia’s depopulated and under–developed Far East.

Thirdly, the APEC Summit in 2012 will take place in Russia (Vladivostok)—pushing Russian leaders to think over new ideas for regional development and integration.

In one of his pre–elections’ speeches, Medvedev stressed the importance of Russia’s “multi–vector diplomacy,” which includes the West and NEA, as well as Africa, Latin America, etc.⁶⁹

However, this appears to be no easy job. The problem which Medvedev inherited was that Russia had barely implemented the Northeast Asian factor in its national development strategy. In the economic realm, despite Russian energy companies’ increased interest

⁶⁹– *Vremya Novostei* (22 January, 2008).

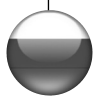
in NEA markets, the major changes taking place in the region's economy have not yet prompted the Russian government to include NEA among its strategic goals for the Russian economy. Russia still does not take into account its geo-economic position as a bridge between the European and Northeast Asian integration zones.

Russia's economic strategy still lacks "spatial economic thinking" that would enable it to see the problems of the depressed regions in Eastern Siberia and the Russian Far East in a cross-national, "natural," geo-economic context, rather than within the narrow framework of state borders. Also lacking is a "two-vector" development model that would allow for the reorientation of the Russian economy, extended in space, toward parallel integrative interaction with the European Union and Northeast Asia.

Irrespective of Moscow's reaction, NEA's dynamic and intricate development will objectively have an increasing influence on the development of Russia. This will affect, first of all, its East Siberian and Far Eastern regions, forcing Russia not only to adapt to challenges and opportunities coming from NEA, but also to look for mechanisms to influence the region in a way advantageous to Russia.

The coming presidential elections in Russia will work to produce a more proactive Russian security strategy in NEA.

At the beginning of his term, Medvedev made his first attempt to have his own say in Russian strategic doctrine. In June 2008 during his visit to Germany, he declared a few important principles of security thinking. Repeating Putin's demand that the West should treat Russia as an "equal partner," Medvedev introduced his own vision



of what should be a basis for this equality. In addition to previous perceptions of equality based on Russia's global energy power and the restoration of its military power, Medvedev stressed "singular European values." He said that Russia, North America and Europe comprise three equal parts of European civilization, and affirmed that human rights, freedom of mass media, democracy, etc., are the key elements of these singular European values.⁷⁰

Although up to now these new "values" have not done much to practically influence realpolitik, it can be anticipated that Russia will continue to look for new chances to deepen cooperation with the world's free-market democracies. The reset of the Russia-U.S. relations is the strongest example of this.

Medvedev made his second attempt to reshuffle Russian security and diplomacy doctrine in July 2010. Until now, Russian realpolitik, in practice if not in official declarations, was primarily aimed at defending the international interests of the Russian gas and oil oligarchs, large financial conglomerates and weapons exporters. In July 2010, Medvedev proclaimed "innovation diplomacy," laying stress on the establishment of technological alliances with global innovation leaders. Although it is not quite clear how this innovation strategy will correspond with traditional diplomacy on the Foreign and Defense Ministries' level, this opens a new window of opportunity for Russia's relations with its technologically developed NEA neighbors.

Republic of Korea President Lee Myung-Bak's visit to Russia in

⁷⁰- *Vremya Novosti* (6 June, 2008).

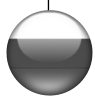
early September 2010 is an example of that Russian innovation diplomacy at work. Another example is Medvedev's visit to China at the end of September 2012. Chinese leaders demonstrated great desire to participate in the development of Medvedev's innovation project in Skolkovo.

Thus innovation diplomacy, if successful, will create a new basis for the development of Russia–NEA partnership relations.

3. Northeast Asia: Tendencies and Problems

The main factor of political and economic change in the region is China. The growth of China's economic might and, therefore, political influence has caused leaders to change their traditional view of "the Chinese factor" and adapt to its new global and regional positioning. China's integration into Northeast Asian political and economic processes, as well as the way it is perceived by regional actors, has not been smooth. This reflects the difficult and contradictory nature of the deep transformations taking place in NEA, where the rivalry for national leadership and competitive advantage is intertwined with ideology and the practice of multilateral cooperation.

It was the dynamism of China's economy and policy that caused Russia to take an increasing interest in NEA. Over the last decade, China has become Russia's main trading partner in the region, leaving Japan and South Korea behind. Nowadays, China is turning into the largest investor in the Russian economy as well.



NEA positions itself in an area that is rapidly developing economically and is non-uniform politically. The three countries of Northeast Asia—Japan, China and South Korea—account for more than 90 percent of the regional economy of the entire East Asia region (that includes ASEAN countries as well).

From a military and political standpoint, East Asia as a whole is divided into different alliances. The U.S. maintains special military security relations with Japan and South Korea; ASEAN forms another political and economic structure. Other countries also play unique roles in the region: China, for example, is a member of the Shanghai Cooperation Organization(SCO) beyond the geopolitical borders of East Asia; North Korea was formally a member of a military political union with China; and Mongolia is an observer at the SCO. The 2000s have seen growth in defense spending in East Asia to 1 percent of GDP in Japan and 2.5 percent in China. 70 to 80 percent of the North Korean economy is dedicated to defense. Japan leads the region in absolute volume of defense spending, which is now 10 to 15 percent ahead of China.⁷¹

Looking ahead to coming decade, we can predict that stabilizing tendencies will prevail over destabilizing tendencies in the political situation in East Asia. Due to specific interactions of interests in the economy, in the energy sector, and in efforts to counter terrorism and atypical threats (natural cataclysms, bird flu, etc.), old rivalries

⁷¹– Vasily Mikheev, “China—Japan, Competition for Leadership,” *MEMO RAS*, (2007), pp. 10–11.

between the main actors in the region will not develop into direct military–political conflicts. The main factor holding back possible deteriorations of political relations between China and the U.S., and China and Japan, will be greater economic interdependence between these counterparts—under any scenario in which the situation may become aggravated.

East Asia is developing an increasing need to pool together the economic resources of Japan, China, South Korea and the ASEAN countries. For the first time in history, the liberalization and marketization of the Chinese economy may produce the prerequisites for regional integrative co development.

However, some obstacles stand in the way of rapprochement, including the persisting imbalance between military–political forces and the perception of China by the U.S. and Japan as an economically “friendly” (because of Chinese market economic reforms) market “partner–competitor” but a politically “alien” actor (because of the Chinese Communist Party’s continued monopoly on power).

The main threats and challenges to security in East Asia are:

- The North Korean nuclear problem
- Territorial disputes involving Japan, Russia, South Korea, China, and several ASEAN countries in the South China Sea
- Chinese–Japanese and Korean–Japanese disagreements over matters of history
- The Taiwan issue
- Energy security of Northeast Asia
- Non–traditional threats, including terrorism, piracy, ecological

and natural disasters, epidemics, etc.

Along with the destabilizing factors, there are the following stabilizing factors in the political situation in East Asia:

- The Six Party Talks on North Korea in Beijing
- The search for approaches to multilateral regional cooperation on energy issues
- Cooperation in combating new and atypical threats
- Multilateral economic formats now emerging in East Asia: the Asia–Pacific Economic Cooperation Forum(APEC), the ASEAN Economic Community, “ASEAN Plus Three” (Japan, China and South Korea), “ASEAN Plus China,” “ASEAN Plus Japan,” “ASEAN Plus South Korea,” the ASEAN Regional Forum(ARF), and the East Asian Community(EAC), set up in late 2005, which includes the members of “ASEAN Plus Three,” Australia, New Zealand, and India, with Russia as an observer at the first summit.

Amid this backdrop, China plays the role of a regional “disturber of the balances.” China seeks to strengthen its political influence on the basis of its growing economic might, its important and in some cases leading role in world markets, and the active expansion of Chinese capital abroad, beginning from 2005 and accelerating during the global financial crisis of 2008–2010.

Russian security policy towards NEA will depend upon major developments in the region in the future.

First, in the next decade, NEA will continue to build a new integration model that is different from that of the EU. The Northeast Asian model focuses not so much on the reduction of customs duties



and the creation of a free trade zone (although the region will continue its efforts toward stage-by-stage tariff liberalization within the frameworks of APEC, ASEAN and ASEAN Plus Three in 2011–2020) as on integration into more open sectors of the knowledge-based economy, as compared with the traditional economy, and on financial interaction in order to prevent a recurrence of the Asian financial crisis of 1997–1998.

By the end of the next decade, NEA will still be no closer to the creation of a common currency despite intensive discussions on this issue. However, it will increase interaction between national central banks within the framework of swap agreements in case of a currency and financial crisis and will broaden the sphere of application of the Asian Currency Unit(ACU)—a currency basket, i.e., a weighted index of East Asian currencies—within the framework of the Asian Development Bank.

In the security field, emphasis will not be placed on the dismantling of the present military–political structure in NEA based on the American–Japanese and American–South Korean military–security treaties. Nor will there be much emphasis on the creation of any “counterbalances” involving China or Russia. Rather, emphasis will be placed first on the formation of new multilateral regional security structures, possibly stemming from the Six Party Talks on the North Korean nuclear issue. Secondly, it will be based on interaction in combating new and atypical security threats.

Unresolved territorial problems and historical issues will have less influence on relations among Russia’s NEA neighbors than they do today.

In a more distant future, these will be resolved in a “natural” way through the joint development of disputed territories and regional integration.

The increased role of new and atypical security threats in national security strategies will gradually modify the United States’ military unions with Japan and South Korea, making them more open to cooperation with other countries in the region, including China and Russia.

Second, Sino–U.S. relations will be characterized, on the one hand, by greater economic interdependence of American and Chinese capital, and on the other hand, by increased mutual concern: Washington is concerned by the non–transparent growth of China’s military might and the “over–valued” Chinese currency, while Beijing is concerned over the proliferation of “China threat” theories. In both China and the U.S., there will be competing voices over these issues: some will strive to intensify mutual suspicions, while others will seek to ease them, each according to their own corporate interests. However, the bigger roles that economics, new threats, regional poverty problems, natural disasters, etc. will play in national security strategies will have a positive influence on Chinese–U.S. relations. These relations will most likely be characterized by a higher degree of interaction and less hostility than today.

Third, Sino–Japanese relations will develop according to a similar scenario, but with some peculiarities. China and Japan will not fully change their negative perception of each other due to their different interpretations of history. Nevertheless, the coming to power in 2012 of the “fifth generation of Chinese leaders,” many of whom have



received their educations in the West, and the rejuvenation of Japan's political elite thanks in large part to increasing numbers of politicians from the postwar generation, may greatly reduce the atmosphere of historical hostility by the beginning of the 2020s in favor of interaction in implementing mutual interests. In the interest of cooperation, a tri-party U.S. – Japan – China format will evolve for discussing matters of regional security and development.

If no progress is made at the negotiations on the global liberalization of trade, the WTO factor will stimulate economic regionalism, including in the ASEAN and ASEAN Plus Three formats.

Fourth, China will become increasingly closer to the West as it deepens its market reforms and integrates into the global economic, informational and political space. The following factors will promote these changes:

- Growth of interdependence of Chinese and international business interests
- Changes in the composition of China's political elite, due in large part to politicians who have received their education in the West rather than in the former Soviet Union (the Jiang Zemin generation) or in China (the Hu Jintao generation)
- Democratization of Chinese society on the basis of inside-the-Communist-Party democracy, a broader rule of law and a socio-economic "strategy of non-destabilizing inequality" ("harmonic society")
- Cooperation with the international community in combating terrorism, WMD proliferation, and new and non-traditional threats

China will continue posting high economic growth rates of 9–10 percent, making NEA the fastest developing region in the world. This forecast is based on the growth of domestic demand, which started to play a leading role in GDP growth beginning in 2005 due to the urbanization of more than 700 million Chinese peasants and the rapid growth of the middle class. This tendency has dispelled the image of China as “the world’s factory,” which was correct in previous years when the Chinese economy was developing largely on the basis of export–oriented production. Now China can more accurately be described as a sort of “vortex” of consistently growing demand.

At the same time, China will face threats and risks that, under certain conditions, may bring about a deep crisis and a sharp downward revision of its forecasts. Domestic and external economic factors are more likely to provoke a deep crisis than external political factors. In the short term, the social, financial and energy sectors are the most vulnerable spheres. Other vulnerable areas include the Taiwan question (in the medium term) and ecological concerns (in the long term).

For the next decade, the Chinese Communist Party (CCP) will preserve its monopoly on power. However, external and internal factors will force the CCP to accept political reform in the country. In particular, the West—in its competitive struggle against China on the global markets—will exploit the fact that the CCP enjoys a political monopoly. Internal factors include: the afore–mentioned growth of the middle class, as well as a class of Chinese bourgeoisie, who want their political interests to be taken into account; the decline of the CCP’s authority among young people; the merger of the party



leadership and the oligarchy, requiring a broader structure than the CCP for harmonizing the political and economic interests of different groups—of—influence; and the deepening of social stratifications, threatening to turn the present local and small—sized antigovernment protests into a nationwide phenomenon.

Relations between Beijing and Taipei will preserve the status quo, although occasionally they will be marked by political disturbances, together with intensified efforts on Beijing’s part to integrate Taiwan into the rapidly growing Chinese economy.

Simultaneously, several factors will serve to increase international tensions. The growth of defense spending by China—with a view to acquiring the status of a global superpower—will provoke countermeasures by Japan and the Japanese—U.S. military alliance. Other countries in East Asia will increase their defense spending as well. Although the “status—seeking” nature of this new stage in the arms race will not lead directly to military conflicts, it will increase rivalries and threaten cooperation in international relations in East Asia.

Sixth, the Korean problem will remain unresolved, continuing to be a slow—developing conflict occasionally disturbed by provocations from North Korea such as missile tests, flare—ups in the Demilitarized Zone, rumors about nuclear test preparations, etc. However, the possibility of a war on the Korean Peninsula is unlikely. Technologically, North Korea will not be able to develop nuclear weapons and long range missiles of its own, and will continue resorting to tactics of nuclear bluff and blackmail to ensure the survival of the present political regime. The demise of North Korean leader Kim Jong Il may

bring about radical changes in the country, although this is by no means certain.

In regard to Russia's future in NEA, Russia will face a dilemma. On the one hand, as China consolidates its economic and political positions in the region, NEA's political and economic interest in Russia will tend to decline. On the other hand, as Russia becomes a major provider of global energy supplies, China, Japan and South Korea will display a growing interest in energy resources, energy assets and energy cooperation with Russia. The ASEAN countries will seek to use Russia's energy and, consequently, political influence as a counterweight to the influence of the U.S., China and Japan in Southeast Asia.

In addition to energy, NEA may have a few more interests in Russia:

- Interest in Russia as a transport space between Europe and East Asia will depend on Russia's policy in developing its transport infrastructure, above all in Eastern Siberia and the Russian Far East.
- Interest in Russia as a partner in the knowledge-based economy will continue to be selective and will depend on Russia's policies in the realms of research and technology. It will also depend on Moscow's ability to revive Russian science, which, from about 1990 until the turn of the century, was severely hit by a "brain drain" and conceptual losses.
- Interest in Russia as a possible recreational zone for East Asia's growing and increasingly wealthy population remains hypothetical and will depend on whether Russia is ready to view itself as a global recreational area.



The main risks for Russia in East Asia in the next decade will be as follows:

- As China integrates into the global and regional economy, Russia may find itself positioned farther from the West—most importantly, the U.S. and Japan—than China. This factor will reduce Russia’s competitive advantages and weaken its political positions.
- Russia may end up outside the integration processes in Northeast Asia—most notably those including Japan, China and South Korea—which remain the primary geo-economic areas of development in East Asia as a whole.
- Russia may yield to the political temptation to play on Chinese U.S. and Chinese–Japanese differences, seeking tactical gains but overlooking strategic prospects.
- Russia still runs the risk of missing the opportunity to use the Six Party Talks on the North Korean nuclear problem to allow it to join in on multilateral mechanisms of security and cooperation in NEA.
- Russia may continue misinterpreting the main threats from East Asia in terms of a demographic or economic “invasion” of its East Siberian and Far Eastern regions. If Russia fails to recognize that the main tendencies in NEA’s development sharply minimize such threats, it may consequently invite the threat of missed benefits due to Russia’s nonparticipation in the regional integration processes.

The main opportunities for Russia in East Asia will be as follows:

- Russia may use the long-term interest displayed by other countries in the energy sector to create an East Asian energy market on the basis of Russian energy resources.
- Russia must develop a new integration model for its parallel co-development with the European Union, the U.S. and Northeast Asia as an engine for driving the entire East Asian economy.
- Russia should continue participating and increasing its activity and initiative in the economic and political organizations in East Asia: the ARF, the APEC, and the EAC.

From an objective point of view, Russia must continue deepening national market-oriented and democratic transformations and large-scale cooperation in East Asia in cooperation with the U.S., Japan and China, while taking the initiative to identify and pursue areas where the interests of all these nations coincide, in order not to fall behind China in terms of relations with the U.S. and Japan. In this context, it is important for Russia to build permanent strategic dialogues with the U.S., Japan and China on NEA issues and thus prevent the formation of a tri-party American-Japanese-Chinese regional partnership excluding Russia.

The most important challenge which stands before the Medvedev's government in this context is the task of working out a "Grand Asian Strategy for Russia" linking internal objectives and development mechanisms with the NEA factor.

4. The North Korean Nuclear Problem

In Russia, nuclear weapons experts distinguish nuclear weapons (possessed by Russia, U.S., China) and nuclear devices.

All reliable Russian military and political experts believe that North Korea will never be able to make nuclear weapons because its technological shortcomings. The most they can hope to achieve is a nuclear device with limited power.

Almost all these experts assess that in 2006 North Korea made a not—very—successful test of a nuclear device—not a bomb.

The mainstream analysis of the 2009 test is that it was a test of a larger nuclear device, but that it was not enough to move the North closer to making a nuclear weapon. A small group of “dissenters,” including some experts and diplomats, claim that the so—called nuclear test of 2009 was just a big hoax: a huge ordinary explosion, not a nuke. I personally belong to this “dissenting group.” In my view the North uses its nuclear program not as a deterrent but as a bargaining chip aimed at extracting more international aid through the vicissitudes of the nuclear talks.

In 2010, against the background of a worsening domestic economic situation (floods, the cessation of American and South Korean economic aid), the North started to use the nuclear issue for domestic propaganda purposes. The starving ordinary people of North Korea are told nowadays: “The economic situation is bad, worse than in the mid—90s, but you should not worry: now we have nuclear weapons—thanks to Great Leader Kim Jong Il.”

In my view, the only way to solve the North Korean nuclear issue is to encourage a peaceful change of the North Korean regime and push it towards market reforms and openness.

The Party Delegates' Conference of September 28, 2010 did not change the situation. We can assess the main goals of the Conference as follows:

- To start the process of strengthening the position of Kim Jong Eun as Kim Jong Il's heir;
- To keep political balance between different powerful groups, including the group led by Kim Jong Il's sister Kim Kyung Hee and her husband Chang Song Taek;
- To provide future security for Kim Jong Il's favorite son Jong Eun, who so closely resembles a young Kim Il Sung.

But the most important result of the Conference is that Kim Jong Il demonstrated to the world and to domestic society that he has no plans to retire or to share his personal power and no will to change domestic and foreign policy. This means the strategies of bluffing and nuclear brinkmanship will continue. If the North obtains enough aid from China, it may return to the 6 Party Talks, even though the administrations in Seoul and Washington are reluctant to do so and Russia continues to be non-committal.

But even if this happens, the 6 party process will continue to repeat its cycle of ups and downs, waiting for a time when real change can happen in North Korea.



Russia: What to do on the North Korean Nuclear Issue?

Officially, Moscow does not have an answer to this question. A nuclear North Korea is unacceptable to Russia, but war is unacceptable as well; the way forward is unclear. Russia still has to acknowledge on the official level the real roots of the North Korean nuclear crisis—that is, the totalitarian character of North Korean regime. Doing so could help Russia, together with other participants of the 6 Party Talks, to work out a single and efficient policy for the nuclear disarmament of the North.

The main reason for the beginning of the nuclear crisis was the security logic of the North Korean regime. The highly militarized and stagnant North Korean economy survived for many years thanks to aid from the former Soviet Union and China. After the collapse of the former USSR, Russian aid to North Korea stopped. After the establishment of China–South Korea diplomatic relations, Chinese aid to Pyongyang decreased. North Korea had no alternative but to look for new sources of foreign aid—from the U.S.A, South Korea, and other Western countries.

However, in the eyes of Pyongyang, relying upon Western aid means risking regime change. Pyongyang’s leaders witnessed how the “shock therapy” in the former Soviet Union and the gradual reforms in China both led to political changes of the authoritarian regimes in those two countries. Pyongyang reached the conclusion that the West will demand economic and political reforms in exchange for aid. This was unacceptable to the totalitarian North Korean regime. Pyongyang

decided to play a more complicated game: to offer, in exchange for aid, not market reforms and opening, but its nuclear weapons program – using nuclear blackmail as a bargaining chip.

The North Korean nuclear test of October 2006 marked a new stage in the development of the North Korea nuclear crisis.

From the North Korean point of view, Pyongyang strengthened its negotiating position at the 6 Party Talks through the nuclear test. Previously, the U.S. had refused to even discuss the issues of removing North Korea from the list of terrorist – supporting countries or lifting its financial sanctions against North Korea. After the test, in the eyes of North Korean leaders, Washington became more flexible and more willing to make concessions. This seemed like a signal to Pyongyang, despite all the maneuverings around the nuclear inspections issue, that it was worthwhile to continue its nuclear programs in order to exchange them for more benefits in the future.

The measures agreed to on February 13, 2007 did not include the main component of the nuclear disarmament of the North – that is, a concrete plan for dismantling of all of the North’s nuclear weapons facilities, including those for highly enriched uranium – and they failed to specify a date for the North’s return to the IAEA and the NPT regime.

Nowadays, North Korea, feeling its strengthened negotiation position, has no reason to actually dismantle its nuclear weapons programs. North Korea will continue to use the 6 party process primarily to obtain economic, financial and energy benefits and



secondarily to buy time politically for the survival of the totalitarian regime.

North Korean diplomacy has succeeded in refocusing the main problem from “regime change” to the issue of “trading benefits in exchange for the nuclear weapons program.” Furthermore, the question of whether or not North Korea participates in the next 6 Party Meeting has become an issue of negotiation in itself.

Through the prism of the global non—proliferation regime, the international community is setting a very dangerous precedent: in exchange for partial suspension of its nuclear weapons program, the guilty country can receive economic privileges from world leaders.

Thus, regime change of a peaceful nature could solve the nuclear crisis in Korea.

Peaceful changes in favor of free markets and democracy in North Korea in the post—Kim John Il era are the main precondition and the main foundation for Korean unification as well. In practice, in spite of the existing demagogy on the issue, the only form of unification acceptable to South Korea is absorption of the North by the South on a free market/democratic basis, along with the total dismantlement of North Korea’s repressive political system.

However, even this scenario requires huge assistance to the North and contains risks of deep negative social consequences for South Korean society, which will have to take the major share of the burden of North Korean absorption.

The best option, for a time being, is the co—existence of the two Korean states on the peninsula through the forging of diplomatic

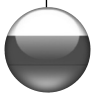
relations between Pyongyang and Seoul. North Korea must learn how to apply free market/democratic principles before achieving full unification with the South. The North will need time to learn “how to catch fish” in a market economy with the South’s assistance.

North Korea’s militarized economic structure is similar to the former Soviet Union’s militarized economy but bears less resemblance to the Chinese pre–reform economy, in which the rural sector acted as the source of initial savings. However, unlike Russia, North Korea does not have gas and oil resources. Thus vast amounts of overseas aid will be needed to help the North Korean economy transition into a market economy.

For South Korea, it will be very difficult and socially risky to accumulate the required aid to be sent north. Thus, the five major regional countries, including Russia, together with the international institutions, will need to establish a special fund to support North Korea’s market transformation and to make the process smoother.

To achieve this, a new peace regime is needed for the Korean Peninsula, replacing the current Armistice Agreement of 1953. This means full diplomatic relations between Pyongyang and Washington, Tokyo and Seoul. Such relations will create a real basis for an engagement policy toward the North and assistance to its market and democratic reforms in the future.

Another important point is that the North Korean nuclear crisis, ironically, has presented new opportunities for regional cooperation in Northeast Asia. The February (2007) round of 6–party talks created a basis for a very new negotiation format. This was based on the



Chinese proposal to establish 5 working groups, which, in parallel, will discuss:

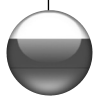
- The denuclearization issue
- North Korea – U.S.A. diplomatic relations
- North Korea – Japan diplomatic relations
- Economic assistant to the North

The Fifth Group was established to address Northeast Asian security in general. *Russia* is the chair country of the Fifth Group. Medvedev will try to use this advantageous position to strengthen Russian influence in NEA.

The positive implications of this decision are: first, it demonstrates that China is becoming more active and more constructive in pushing forward the 6 party process; and second, the creation of the fifth group provides an opportunity to discuss not only the North Korean nuclear issue but also other important issues of regional security. And, more importantly, it provides an opportunity to develop the 6 – party process without being dependent upon the North’ s willingness to participate.

Northeast Asian security issues are much broader than the North Korean nuclear issue. The North Korean nuclear issue is only one part – though a very important part – of the Northeast Asia security agenda. So we can invite North Korea to attend the Fifth Group’s meetings, but if it does not want to participate, we can still have meetings on a regular basis without it. Later on we can simply inform the North about the results these meetings.

On the other hand, the Chinese proposal does not include any ideas about establishing diplomatic relations between North and South



Korea. Without mutual diplomatic recognition between North and South, there will be no real peace regime on the Korea Peninsula. Both countries are full members of the UN, and a diplomatic relationship is the normal way of developing relations between UN members.

In addition, in the Chinese proposal there is no mention of linking economic assistance to North Korea with market reforms and the opening of the North's economy. This encourages the North to look for new assistance from abroad, as it believes the best way to get such aid is through nuclear blackmail.

Nevertheless, the possibility of turning the 6-party talks into a permanent mechanism for security talks in Northeast Asia through the Fifth Group brings new hope. Such a mechanism will contribute to the creation of a new peace regime security infrastructure in Northeast Asia, which can help to encourage North Korea to change in right directions in the post-Kim Jong Il era. And it is Russia, as a chair of the Fifth Group on NEA cooperation, that could push this process forward.

In analyzing Russia's bilateral relations with North and South Korea, it is important to note that in spite of the various epochs from the past to today, strategic thinking in Russia in regard to Korea reveals odd coincidences. North Korea somehow falls outside the general political logic of Russia. Both in the Soviet period and now, North Korea is located on the periphery of Russian political, economic, and security interests, which focus on the U.S., Europe, and Central Asia.

On the whole, Russia, both in the past and present, regards Korea in the context of its relations with regional leaders in Northeast Asia — the U.S., China and Japan.

5. Conclusion

Two main scenarios are likely to appear in Russian security policy towards NEA.

The first is that Russia will adjust its NEA policy to deal with the following rapid changes in NEA:

- China's growing regional influence
- Dynamics of Sino-Japan and Sino-U.S. cooperation-competition relationships
- Integration trends in NEA
- Development of the Korean situation

This could be termed "response diplomacy"; i.e., Russia plays the game according to the rules worked out by other players.

The second scenario is that Russia will try to play its own game according to Russian rules – what could be termed "active diplomacy." After a few years of economic growth and post–crisis restoration, Russia will possess enough financial, economic and innovation resources for this game.

Medvedev's innovation diplomacy opens a new angle on prospects of Russia–NEA cooperation. Technological alliances between Russia and South Korea, Japan, China, and the U.S.A. could pave the way to a new, modern agenda for NEA multilateral negotiations – regardless of how soon we may witness real change in the North Korean regime.

■ References ■

1. Articles

Mikheev, Vasily. “China-Japan: Competition for Leadership.” *IMEMO RAS*. 2007.

2. News Articles, Electronic Resources, etc.

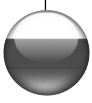
Vremya Novostei.



IV. The Russia–ROK Quest for a Strategic Partnership: Problems and Implications in Security Cooperation

Georgy Toloraya





1. From Absence of Relations to Strategic Cooperation?

Russia and the Republic of Korea(ROK) entered into official relations in 1990, after being separated for almost half a century—sporadic economic contacts started only with the dawn of the perestroika era after 1983.⁷² Too little, too late! From the mid—1980s, Soviet experts and officials had been arguing that the situation on the Korean peninsula was changing: that the ROK political system, after decades of military dictatorship, was transforming, and therefore it would be beneficial for the USSR to form relations with the ROK both in view of economic considerations and in order to decrease the tensions on the Korean peninsula.⁷³ However, the North Korean leadership was hell—bent on preventing such a development. Soviet leaders, diverted by other pressing issues, did not marshal enough political will to make a sound judgment at the right time.

If Moscow had recognized the ROK in mid—1980s (or by the Seoul Olympics of 1988 at the latest), then a more or less stable, solid, and predictable USSR—ROK relationship might have formed before the Soviet system collapsed. At that time, no one on the South Korean side or her allies would have dared to object to such rapprochement (despite possible U.S. reservations). Before the demise

⁷²— Actually the USSR had unofficial contacts with the ROK since 1973, soon after the two Koreas initiated the inter-Korean dialogue. Vadim Tkachenko, *Korean Peninsula and Russia's interests* (Moscow: Vostochnaya Literatura, 2000), p. 57.

⁷³— Valery Denisov, “A Partnership of Mutual Trust with Seoul?” *International Life*, No. 3—4 (2005), <<http://dlib.eastview.com/browse/doc/7689194>>.

of the USSR a new geopolitical link might have developed, shaping the future of Russia's relations not only with Korea, but with the entire region.

At the same time, Soviet party and state authorities would have had more time and leverage to persuade the North Korea side that normalization of relations with the ROK was not an “anti-DPRK plot” and would not automatically lead to Moscow's “changing sides” and supporting South Korean and U.S. policies aimed against Pyongyang. Moscow's continued cooperation and assistance towards the DPRK might have been a source of leverage for ensuring more civilized behavior from Pyongyang, perhaps even suppressing its nuclear ambitions. Additionally, in the still-existing bipolar global political structure of the time, South Korea would not have dared to challenge Moscow's relations with North Korea as aggressively as it did, and (as in the later case of ROK-China normalization) the “North Korean factor” would not have been such a severe irritant of Seoul-Moscow relations in 1990s. The USSR might have then been in a position to set conditions on its recognition of the ROK, such as demanding a more constructive approach to the DPRK on the part of the U.S.A., even to the extent of implementing the long-cherished “cross-recognition” scheme. Thus a more solid security system might have emerged on the Korean peninsula.

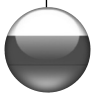
South Korean business leaders would then have had the opportunity to start cooperation with then-powerful Soviet state enterprises as their official counterparts, and thus get some experience of doing business in a country which had previously been totally unknown to

them under more or less stable rules of the game. That would have enabled them to form a basis for future successful projects at a later stage of the Russian economy's privatization and marketization. The ROK government, having officially forged relations with Soviet governmental bodies, would have been in a position to lend them financial and institutional support. Then the quest for a "strategic partnership" would have had a much more solid basis.

However, the writers of history do not use subjunctive tense. What lessons can we take from the first twenty years of relations for the future of the strategic partnership?

The relationship started at a time of crisis in Russia and developed in a sometimes uneven and distorted manner. Russia's reputation as a business partner in Korea was initially very low, and South Korean businessmen avoided investment in meaningful projects. At least a decade was lost in developing economic cooperation based on mutual reciprocity as suggested in the late 1980s.

Cooperation in the security area was even more controversial. Throughout the first years after normalization, ROK diplomacy concentrated its efforts and resources on trying to drive a wedge between Moscow and Pyongyang and solicit Russia's support in pressuring and isolating North Korea. Some experts even consider the initial idea of a "strategic partnership" between Russia and the ROK – which was suggested in middle of the first decade of the 21st century by the South Korean side – was an attempt to end what the South Koreans in the early 2000s called "Russia's equidistant diplomacy toward North and South."⁷⁴ Russia, in the meantime, tried



to persuade its ROK partners that the principles and goals of its Korean policy excluded a one-sided approach, which irritated influential circles in Korea.

Both sides had overly high expectations initially, and the result was mutual frustration. Russian elites expected much greater benefits from economic cooperation with the South and did not anticipate the extent of damage to Russia's positions in East Asia from the deterioration of its relations with North Korea, which was partly the result of South Korean efforts vis-à-vis Moscow.⁷⁵ South Korea expected more support from Russia in its policies towards North Korea, perhaps even support in unifying Korea on its own terms. Initial South Korean expectations of Russia's market and supplies did not pan out either.

Additionally, a lack of knowledge and old stereotypes dating back to the Cold War, together with the failure of a considerable number of economic projects (for which the Russian side has to bear its share of responsibility) prevented the development of mutual confidence. The political and economic turmoil of the 1990s, the spread of the Mafia, and the influx of Russian petty merchants (usually from the lower class) contributed to Korean perceptions of Russia as a dangerous and unpredictable country.

However in the 2000s the situation started to change positively, bringing South Korea to the forefront of Russian policy in Asia. In bilateral political relations and consultations an impressive amount of

⁷⁴– Valery Denisov, “A Partnership of Mutual Trust with Seoul?” p. 69.

⁷⁵– Karen Brutenz, *On Russia's Foreign Policy Concept in Asia and the Pacific* (Moscow, 1995), p. 62.

capital has been accumulated. There are no major political problems which could undermine the progress of political dialogue and cooperation. Russia has firmly occupied its place among the four most important foreign partners of South Korea. Regardless of internal arguments and contradictions, the political class as well as the population of the Republic of Korea see Russia as an important neighboring non – hostile nation with which relations should be developed on a long – term non – confrontational basis.

The economic basis for the partnership between the two countries has developed tremendously over the past two decades. Economic issues now form the backbone of the strategic character of relations. The two countries boast an established legal framework for economic cooperation.⁷⁶ In November 2005 the Action Plan for Trade and Economic Cooperation was signed in Busan in the presence of leaders of the two countries.⁷⁷ The ROK has become the third greatest economic partner of Russia in Asia.⁷⁸ New prospects for cooperation were agreed upon at the summit talks in September 2008, where five agreements were signed. In his speech in Yaroslavl in September 2010, President Lee Myung-Bak spoke of the automobile industry, the energy sector, space technologies, and infrastructure as some key

⁷⁶- This includes trade, investment guarantees, double taxation agreements, agreements on military-technical cooperation and nuclear cooperation, an agreement to prevent illegal use of marine resources, etc.

⁷⁷- <<http://www.russian-embassy.org/Press/Plan.htm>>.

⁷⁸- The ROK's share in Russia's overall exports grew to 2.5%, in imports to 3.9%. The overall ROK investment in 2009 amounted to 1.5 billion U.S.\$, with direct investment standing at 770 million U.S.\$ <<http://www.russiainvest.ru/rus/countries/korea.shtml>>.

areas with great prospects for bilateral cooperation.⁷⁹ “I firmly believe that Russia’s potential is enormous. I am sure this great country will prosper on the basis of the newest technologies and its abundant natural resources. It will reach the highest level of development,” he said.⁸⁰ Further agreements were reached at the Russian–Korean summit in November 2010.

The two nations generally harbor no hard feelings towards each other which is not always the case for neighboring countries. When average Russians became aware of South Korea in the late 1980s, it was seen as a “symbol of everything the Soviet people considered desirable; market economy, dynamic economic growth, openness to the outside world.”⁸¹ The ROK is now positively perceived in Russia as a dynamic, economically and technologically developed country, combining ancient traditions with modernity, and possessing a laborious and law abiding population with a high respect for knowledge, culture and education.⁸² South Korean companies are now omnipresent in the Russian marketplace, enhancing the positive image of South Korea. South Korea received 4.06 out of 5 points in a country rating study done by KOTRA.⁸³ Russians are generally in favor of Korean

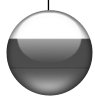
⁷⁹– <<http://www.istockanalyst.com/article/viewiStockNews/articleid/4490224>>.

⁸⁰– <<http://www.korea.net/news.do?mode=detail&guid=49785>>.

⁸¹– Andrei Lankov, <<http://www.forumsostav.ru/1/14015>>.

⁸²– Russia’s opinion polls (“Public Opinion” Foundation, 2001) show that 58% of the Russian population considers South Korea to be a friendly country. Its positive associations include “the little dragon gaining power,” “remarkable progress,” and the image of Koreans as an industrious people (“working country,” “non-wasteful people - use every grain, nothing is lost,” “people working like bees,” etc.) *Seoul Herald*(in Russian), No. 54, pp. 1–28 (February 2001), p. 3.

⁸³– Hak Jun Kim at the 11th Russia–Korea Forum, St. Petersburg (May 2010).



unification; only a handful of people foresee problems with a unified Korea for example, territorial claims by Korea to former Bohai lands.⁸⁴ South Korea ranks 23rd as a tourist destination for Russians, ahead of both Japan and the U.S.A.⁸⁵

At the same time the perception of Russia among South Koreans remains ambivalent. Traditionally, since the 17th century, Koreans considered Russia as one of the large, powerful states which endangered its very existence.⁸⁶ The communist USSR was an arch-enemy, an “evil empire,” even long after the end of the Korean War. The KAL 007 incident in 1983 seemed to confirm this perception. Russia is still considered the least trustworthy country among the “4 big powers.”⁸⁷ The unfortunate incidents of skinhead attacks on Korean citizens increased this fear. It is true that the mass media remains biased against Russia, publishing mostly negative reports.⁸⁸ Former Korean correspondents in Russia admit that sometimes the information presented in both countries about each other resembles

⁸⁴ - <<http://www.rauk.ru/modules.php?name=Forums&file=viewtopic&t=219>>.

⁸⁵ - The number of tourists has increased three-fold since 2007, growing by 32% in just the first half of 2010 (38,400). <<http://www.votpusk.ru/news.asp?msg=341860>>.

⁸⁶ - Tatiana Simbirtseva, “Korea at the Crossroads of Epochs,” <http://world.lib.ru/k/kim_o_i/t3.shtml>.

⁸⁷ - Se Hee Yu and Bong Gu Kang, “Russia’s image among Koreans,” (Seoul: Hanyang University, 2007) (quoted by Hak Jun Kim at the 11th Russia-Korea Forum, St. Petersburg, 2010).

⁸⁸ - One of the most publicized examples of the negative stereotypes of Russia in Korea was the publication of an offensive cartoon in *The Korea Times* newspaper related to the terror attack in the Moscow subway in March 2010, which caused indignation in Russia and called into question the genuine mood of the Korean public. <<http://www.bfm.ru/news/2010/04/06/juzhnokorejskie-karikatury-o-teraktah-v-metro-vozmutili-mid-rf.html>>.

that of the Cold War era. The Korean mass media sees many issues through “U.S. spectacles,” while Russia is sympathetic towards North Korea, which South Koreans see as a fault.⁸⁹

2. The Possibilities for a Strategic Partnership on Political and Security Issues at the Regional and Global Levels

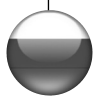
How can we “update the concept of bilateral relations,” as President Lee Myung-Bak suggested in his September 2010 remarks?⁹⁰ There is no clear definition of what “strategic partnership” means or how it is different from other forms of partnership, and some experts see it as mere rhetoric, perhaps intended by the Korean side to underline the ROK’s unique position in Russia’s Asian policy (Russia sees China and Vietnam as strategic partners, while the DPRK is only “a good neighbor”). When in September 2008 the presidents of the two countries “expressed their resolution to raise relations to the level of strategic partnership,”⁹¹ experts were at a loss about the meaning of this declaration.

A strategic partnership is supposed to have as its main feature coordination of national strategies, at least in the areas important for both countries. In fact, however, the national strategies of Russia and Korea diverge. Russia sees the Korean situation from a geopolitical point of

⁸⁹- <<http://vestnik.kr/ruskor/3834.html>>.

⁹⁰- <<http://www.korea.net/news.do?mode=detail&guid=49785>>.

⁹¹- Joint Statement of the Russian Federation and the Republic of Korea (29 September, 2008), <<http://kremlin.ru/sdocs/themes.shtml#20700>>.



view, prioritizing stability on the Korean peninsula and advancing its economic interests. The ROK sees “victory” over North Korea and the resolution of the Korean problem on its own terms as the principal goal, while economically Russia is seen mostly as a raw materials source, not a priority partner for economic and technological advancement.

At the same time, Russia increasingly sees South Korea as its third most important partner in the Pacific region, while some even argue that it should be given precedence over Japan in economic cooperation deals, as political relations with Japan are at an impasse over territorial issues. Moreover, the ROK’s rating in Russian foreign policy increased in the wake of the global financial crisis, which made cooperation in the G20 format the new imperative for both countries. Regular political dialogue at all levels continues to develop without interruption. There have been 22 summit meetings during this period, making the ROK one of Russia’s most important global partners. During the anniversary year the presidents of the two countries met twice, the meeting in Seoul before the G20 summit being especially significant. Since December 2008 a regular “strategic dialogue” between first deputy ministers of foreign affairs has been maintained. The South Korean side proposed advancing this dialogue to a higher level in September 2010.⁹²

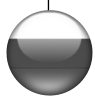
However it should be noted that in Russia the limitations to the political – strategic partnership with Seoul are being considered. First,

⁹² - <<http://www.gpf-yaroslavl.ru/news/Prezident-YUzhnoj-Korei-Li-Men-Bak-U-rossijskoj-demokratii-bol-shoe-budushee>>.

the ROK's alliance with the U.S.A., strengthened under the current administration, is considered a factor limiting the ROK's ability to pursue independent policy goals on issues of regional security. Second, the ROK's hyper-attention to the role of China in the region and in Korean affairs has led it to overly concentrate its policy efforts on China, while underestimating Russia's interests. Third, and most important, is the North Korean issue, which limits the possibility of cooperation in the international arena.

Is it possible that the ROK could truly become a strategic partner of Russia on a regional and global scale? It should be taken into account that the first decades of the 21st century will probably see what some authors describe as “three-dimensional chess” in Asia: an increasingly volatile power-play in which China and the U.S.A. will play the central roles.⁹³ Other countries, including Russia and South Korea, will have to formulate and implement their own policies defending their national interests, taking into consideration this competition/cooperation between the two centers of power: “rising” China and “declining” America. Is it possible for Russia and the ROK to position themselves similarly on some thorny issues, such as war exercises in their neighboring seas, while the ROK remains a close ally of the U.S.A. and Russian relations with China are better than ever? This factor alone decisively narrows the field of political cooperation between the two countries on security matters.

⁹³– See Robert Kaplan, *Monsoon: The Indian Ocean and the Future of American Power* (Random House, 2010).



However there are possibilities for Russia and the ROK to be more active on global and regional issues. President Lee, while speaking at the Yaroslavl Global forum in September 2010, suggested joining the efforts of the two countries in combating global problems like climate change. Above other issues, it would be natural for the two countries to cooperate in setting up a regional architecture in Asia and the Pacific. In the opinion of many Russian experts, the Asia–Pacific region, with its contrasts and problems, needs a multi–dimensional, multi–layered architecture for security and development, based on the principles of collectivism, equality, transparency, and the universally acknowledged norms of international law, without dividing lines, taking into account the interests of each participant. These Russian experts point out the need for horizontal ties in the spirit of network diplomacy and partnership ties between international organizations and forums. The military aspects of regional security and stability, and the shaping of mechanisms for conflict resolution, should take an increasing place in discussions. Russian experts argue that the system of military bases and bilateral military alliances created in the Asia Pacific region under the aegis of the U.S. can hardly guarantee security in the region or serve as an alternative to a genuine architecture of security and cooperation.⁹⁴ However the ROK remains a part of the established security system and has no plans to change its existing security commitments. Realistically speaking, how can Russia and the

⁹⁴– Vyacheslav Nikonov, “Russia’s Pacific Strategy,” *Strategy of Russia*, No. 8 (2010). <http://sr.fondedi.ru/new/fullnews.php?subaction=showfull&id=1283252871&archive=1283252977&start_from=&ucat=14&>.

ROK cooperate in this geostrategic area?

One dimension is the deepening of cooperation and consultation in the Asian dialogue venues—the ASEAN Regional Forum, APEC, and especially the newly emerging East Asian Summits. At the Russia–ASEAN summit in Hanoi in October 2010 it was decided that Russia would begin participating in ASEAN summits from 2011 onward. For Russia this is a milestone towards closer integration into the Asia Pacific region, and the strategies of Seoul and Moscow should be coordinated in this new area. Russia might also solicit South Korea’s advice and assistance as a new member of the ASEM dialogue. Russia is concerned that, given its comparatively weak involvement in East Asian economic integration (manifested in the activities of the China–Japan–Korea “troika”), it might become sidelined and thus unable to fully benefit from the advantages of regional division of labor or to protect its security interests in this area. Given Russia’s reluctance to be too dependent on China in its Asian policies and its strained relations with Japan, the ROK could really play a vital role as Russia’s strategic partner in this respect.

Another area of strategic cooperation is the creation of a peace and security mechanism in Northeast Asia—a process which Russia was eager to promote during the course of the Six Party Talks. Regardless of the denuclearization agenda, Russia and Korea could be more active in discussing the guiding principles and modalities of such a mechanism in the future. The Six Party process, even with a new agenda, is of great importance to Russian diplomacy, and the ROK should take this into account.

3. North Korean Issues Hinder the Partnership

The main obstacle to raising Moscow–Seoul relations to the strategic level is the North Korean problem. There appears to be an existential divide between the two countries on conceptual approaches and practical policy toward Korean affairs. In the ROK, many in the political elite look forward to the demise of the North Korean regime and unification through absorption.

For Russia, peace and stability in Korea is at the top of its value hierarchy. Russia would like to see the peaceful coexistence of the two Korean states, leading to an eventual voluntary unification in a distant future; Moscow disapproves of the politics of pressure and isolation being used against North Korea and advocates helping the DPRK to transform without endangering its statehood. Russia sees North–South dialogue as an indispensable element in decreasing the tensions on the Korean peninsula.⁹⁵ Russia sees this as a prerequisite to the new equal and peaceful regional order essential for the development of Northeast Asia, of which the Russian Far East is an integral part. The “Sunshine Policy” was considered by Russia to be a more appropriate approach than the previous period of confrontation, and Russian experts are proud of the fact they had discussed this option throughout the 1990s with the then–opposition experts supporting

⁹⁵– Western researches admit: “On balance, a prospective Korean reunification ... may not look as dangerous from Russian perspective as from Tokyo’s, or more importantly, Beijing perspectives.” Nicholas Eberstadt and Richard Ellings (eds.), *Korea’s Future and the Great Powers* (Seattle, 2001), p. 330.



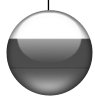
Kim Dae Jung.⁹⁶ Russia was optimistic about the ROK's policies during the "liberal" decade precisely because they were aimed at reconciliation and assisting the North in order to set the basis for cooperation, and therefore they helped to increase security on the Korean peninsula.⁹⁷

Russia tried to foster the national reconciliation process, despite the opposition of some other international actors. At that stage, strategic issues of great geopolitical importance to Russia were put on the agenda of Moscow–Seoul dealings. For example, Moscow tried to help both Kim Dae Jung and Roh Moo Hyun to arrange inter–Korean summits with Kim Jong Il on its territory.⁹⁸ The Russian

⁹⁶–An expert in South Korea wrote in 2005: “In general, this Russian vision of the ideal outcome is closer to the basic assumptions of Seoul’s ‘Sunshine Policy’ than that of any other state. Even if the present author harbors much skepticism about the viability of such a ‘reformed’ North Korean state, these expectations might to some extent unite Seoul and Moscow in their dealing with the North.” Andrei Lankov, “Russia’s ‘New Engagement’ with North Korea and the Future of Northeast Asia,” <http://64.233.169.104/search?q=cache:jYTjtue1TZsJ:ifes.kyungnam.ac.kr/study/ifes_forum_view.asp%3FifesforumNO%3D152%26page%3D12+Georgy+Bulychev&hl=ko&ct=clnk&cd=15&gl=us>.

⁹⁷– Many Russians fully share the opinion of Kim Dae Jung, who in April 2008 noted, “The June 15 Inter-Korean Summit held in 2000 broke down the wall of the Cold War and animosity between the two Koreas, which lasted for more than a half century, and opened the road of exchange and collaboration ... Tensions on the Korean peninsula have dramatically eased, and economic, cultural and tourism exchanges are progressing. These developments are playing a significant role in promoting inter-Korean peace and ending the Cold War,” *Korea Times* (18 April, 2008).

⁹⁸– Former Unification Minister Lim Dong-won said in his memoirs that it was Kim Jong-il (having already agreed in prior consultations with the Russian side to this idea of Putin’s) who proposed holding the second inter-Korean summit in Russia, telling him in 2002, “I intended to visit Seoul last spring. But the situation has changed as Bush, who keeps a hawkish stance toward the North, was elected as U.S. president. As the Grand National Party and other conservative forces are fostering an anti-North Korea mood, my aides advise me not to go to Seoul



government supported the outcome of the second DPRK–ROK summit in October 2007, while Russian experts noted, “While the DPRK may gain short–term profits (such as an improved position vis a vis the U.S. and economic aid), the South and other interested countries will benefit over the long–term. For the South, it is an important step forward on the way to normalizing relations with the North and strengthening the common potential of the Korean states. Seen from the angle of regional geopolitics, it will provide stronger stability and growing interaction, and it coincides with Russia’s priorities.”⁹⁹

It is hardly unexpected that the crisis in North–South relations associated with the Lee Myung-Bak administration’s policies caused concern in Russia. Russian leaders and experts watched with dismay as the results of a decade of rapprochement between the two Koreas were swiftly flushed away, with tensions increasing day by day. The South Korean side increasingly pressed Russia to approve this policy change and join the campaign of pressuring and isolating North Korea. But Russian diplomats well remember the period of early post–Soviet romanticism, when the first democratic Russian government,

because it can worsen the situation.” Instead, Kim suggested holding an inter-Korean summit in Irkutsk, saying, “If necessary, we can discuss ways to link with the trans-Siberian railway through the three-way summit with the Russian president.” However, because of the nuclear crisis, such a meeting never took place, as Kim Dae Jung was afraid to displease his U.S. allies.

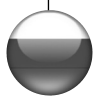
Russian experts also suggested the same scheme for a 2007 Kim-Roh summit, as the South Korean side had trouble choosing a place for it. However Roh finally agreed to visit Pyongyang in October 2007. *Rossiyskaya Gazeta* (18 July, 2008), <<http://www.rg.ru/2008/07/18/kim-anons.html>>.

⁹⁹– Georgy Bulychev, “A Russian View on the Inter-Korean Summit,” <<http://www.nautilus.org/fora/security/07068Bulychev.html>>.

determined to cooperate with the United States and South Korea, joined the efforts to pressure Pyongyang and as a result was sidelined from negotiations on a settlement of the Korea issue. Russia would not welcome repetition of that situation, in which the South Koreans kept urging the Russian government to exert pressure on Pyongyang and demanded information on Pyongyang's reactions and plans. In the initial stages of the Lee Myung-Bak administration, Russia tried to make clear its desire to seriously discuss improving the situation on the Korean Peninsula by promoting peaceful dialogue and taking into account North Korea's concerns. However, South Korea insisted that peace and security could only be achieved with prior denuclearization of North Korea and shied away from the Russian logic that this goal could be attained only through a process of confidence building."¹⁰⁰

Russia also became concerned that the ROK's conservative government might pay less attention to Moscow's interests because of deepened cooperation with U.S. conservative-minded policy circles and would work to limit Russia's role in the settlement of the Korea issue. Seoul's reaction to the North Korean missile launches and second nuclear test in 2009 was generally viewed in Russia as poorly balanced, aggravating the tense situation on Korean Peninsula.

¹⁰⁰– President Lee's envoy to Russia, Rep. Lee Jae-oh, interpreted at the very start of the new administration in January 2008 the outcome of his talks in Moscow as follows: "Russian officials expressed support for the president-elect's plan to forge a prosperous northeast Asian economic community, especially as it will help in persuading North Korea to give up its nuclear weapons." He omitted any mention of North-South cooperation. *The Korea Herald* (28 January, 2008).



Russian experts and officials doubted the usefulness of sanctions,¹⁰¹ discouraged striving for “punishment [of North Korea] for the sake of punishment.”¹⁰² This reaction contrasted with the South Korean position, which saw more pressure and sanctions as the only possible reaction and insisted Russia should support it.¹⁰³

The infamous and tragic “Cheonan” incident of March 2010 was a severe test for the Russia–ROK partnership. Moscow suspected that the campaign implicating North Korea as the culprit was a maneuver by Seoul to achieve its long–term policy ambitions to further isolate and pressure Pyongyang in order to weaken the regime, thus gaining a competitive edge over it and trying to disrupt Chinese support for it.¹⁰⁴ The Russian opposition declared the incident to be “a provocation by South Korea.”¹⁰⁵ Moscow’s position in the UN Security Council deliberations was opposed to that of the ROK, which sought stern measures against the DPRK, and supportive of China.¹⁰⁶ Furthermore, Russian naval experts sent to Korea by President Medvedev at the request of President Lee Myung-Bak “in the spirit of strategic partnership” did not support the South Korean version of events. They

¹⁰¹– <<http://vremya.ru/2009/99/5/230706.html>>; <<http://vremya.ru/2009/90/5/229958.html>>.

¹⁰²– <<http://vremya.ru/2009/91/5/230064.html>>.

¹⁰³– <<http://vremya.ru/2009/31/5/223720.html>>.

¹⁰⁴– Alexander Vorontsov and Oleg Revenko, “Spring 2010: Increase in Tensions on Korean Peninsula,” <http://www.perspektivy.info/oykumena/azia/vesna_2010_g_obostrenije_naprazhennosti_na_korejskom_poluostrove_2010-07-07.htm>; <<http://vremya.ru/2010/89/5/254501.html>>.

¹⁰⁵– <<http://moscow-info.org/articles/2010/09/04/211287.phtml>>.

¹⁰⁶– “Russia Charting Neutral Course in UN,” <<http://www.dailynk.com/english/read.php?catald=nk00400&num=6509>>; <<http://vremya.ru/2010/90/5/254333.html>>.

only concluded that the ship's sinking was caused by an "external impact," stopping short of accusing North Korea of a torpedo attack.¹⁰⁷ The ROK Ministry of National Defense openly criticized Russia's position.¹⁰⁸ This dichotomy acted as an irritant between the two countries.

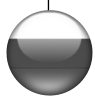
As a result of these events, started with "Cheonan" sinking, Russia's interests have suffered. First, the tension near its borders has increased. Second, the Six Party Talks, which for Russia constitute a vital mechanism for maintaining its involvement in Korean and North East Asian affairs, missed their chance for swift resumption, further impacting Russia's interest in peacefully addressing its non-proliferation concerns. Third, relations with both Koreas, China and the U.S.A. were strained as a result of the "Cheonan" incident investigation controversy. Had the South Korean government, in a true spirit of strategic partnership, been more receptive to Russia's arguments to keep calm and not blow the incident out of proportion, these consequences could have been largely avoided. In September 2010, Russia officially called for "closing the Cheonan file."¹⁰⁹

Although Russia and the ROK are both interested in finding the solution to the nuclear issue on the Korean Peninsula, their approaches differ. Russia does not think the theory of "denuclearization first, rewards later" is realistic, and some experts suspect this is just a

¹⁰⁷- <<http://www.gzt.ru/column/blog-gzt/-gibelj-chhonana-vygodna-vsem-/317348.html>>; <<http://www.rg.ru/2010/09/03/delo-site-anons.html>>; <<http://vesti.kz/asia/63239>>.

¹⁰⁸- <<http://www.rg.ru/2010/09/14/chhonan-site-anons.html>>.

¹⁰⁹- <<http://moscow-info.org/articles/2010/09/14/213727.phtml>>.



cover for promoting the “hidden agenda” of undermining the North Korean regime. Russian experts¹¹⁰ see North Korean denuclearization as one of many tasks in a comprehensive settlement of the decades – old Korean security problem, not as the end in itself. Actually, what could really affect Russia’s interests is not the current nuclear status of North Korea but the further expansion of North Korea’s nuclear programs and the improvement of their nuclear weapons and delivery systems (missile programs). That could have consequences which might eventually endanger Russia’s national security, mostly due to an increased regional answer to these developments, thus requiring counter – measures. The possibility of North Korea’s WMD technologies falling into terrorists’ hands should also not be totally discarded. Russia’s interest in stopping any such developments coincides therefore with those of the U.S.A., Japan, and South Korea. But full denuclearization, under the current rules of the game, seems unattainable. For Russia the more viable option is trying to rein in the DPRK’s nuclear potential to “manage the risks,” while tacitly agreeing to the temporary preservation of the current situation. This is feasible and can be achieved through diplomatic processes, although the goal of actual denuclearization would have to be moved “over the horizon.” Russia has yet to convince South Korea of the practicality of such an approach.

¹¹⁰– Vyacheslav Nikonov, Georgy Toloraya (eds.), “Korean Peninsula: Challenges and Opportunities for Russia,” *Russian National Committee* (7 October, 2010), <<http://www.russkiymir.ru/export/sites/default/russkiymir/ru/fund/docs/ks210910.pdf>>.

4. Economics as the Locomotive Force of the Security Partnership

For Russia, in the 21st century, strengthening its position in the Asia–Pacific region has become a matter of national survival and a task of long–term strategic importance. Russia aspires to become a “Eurasian bridge,” speeding up the development of its Far Eastern regions and facilitating its deeper integration into the Asian economic space. The geopolitical role of the Korean peninsula is of utmost importance for that. We note with satisfaction the ideas of South Korean scholars who say that we are at the threshold of a new “Eurasian Era” and that Russia and Korea are natural partners in promoting this new world order: Russia being a Eurasian bridge and Korea being a bridge for Russia’s advance into East Asia.¹¹¹

Strategically speaking, projects in Northeast Asia with participation from both Koreas play an essential role in this effort. The general approach is to combine South Korean capital, Russian technology (which remains the basis for North Korean industry and infrastructure), and North Korean territory in order to lay a groundwork inter–alia for a regional economic integration system in Northeast Asia. The best known is the “railroad project,”¹¹² which aims to restore and

¹¹¹–Man Soo Kang, “Strategy of Development of Russian-Korean relations,” Presentation at the 11th Russia-Korea Forum (St. Petersburg, May 2010).

¹¹²–Russian transport experts argue that the project of reconstructing the Trans-Korean Railroad(TKR) with a linkage to the Russian Trans–Siberian Railway(TSR or Transsib) with the aim of providing smooth rail transit from the tip of East Asia to Europe can, without exaggeration, be called an epochal project for Russia and the two Koreas, creating an Asia–Europe transit corridor competitive with freight



upgrade the railroad through South and North Korea, linking it to the Trans – Siberian Railway.¹¹³ North Korea has repeatedly expressed its interest in this railway project, as it would yield considerable economic gains for the country.¹¹⁴ Another possible area of tripartite cooperation is in the energy sector, such as a power grid connecting the three countries. The idea of a gas pipeline running from Russia via North Korea to the South has been discussed for some time, but still seems to be a utopian fantasy unless genuine rapprochement between the two Koreas can emerge.¹¹⁵

Some South Korean analytical materials set the ambitious goal of the ROK becoming a privileged partner of Russia in Asia, similar to Germany in Europe.¹¹⁶ However, Russian experts are concerned that

transportation by sea to the same destinations through the Suez Canal. One of its advantages is the ability to transport cargo over 10,000 km under a unified transport legislation without actually crossing state borders. The Trans-Korean Railroad could carry Russian, North Korean, and South Korean freight to European countries and back. A portion of container cargo from Japan could also be redirected to the Trans-Korean Railroad via the port of Busan. In 2008 a joint venture was established to modernize the railway section from the crossing point of Khasan to the North Korean port of Rajin (worth about 1.75 billion rubles according to Russian estimates), and also to jointly construct a container terminal in Rajin as a significant new transit section for moving goods from Northeast Asian countries to Russia via Transsib connection and on to Europe. A. B. Bardal, “The Trans-Korean Railroad,” *Problems of the Far East*, No. 4 (2007).

¹¹³ –The initial stage is transportation of containers through Rajin, where a \$100 million investment is planned. The project was inaugurated in October 2008 but stalled due to North-South tensions. Lucian Kim, “Russian Railways Plans \$100 Million Terminal in North Korea,” <<http://www.bloomberg.com/apps/news?pid=20601080&sid=aC.BMfvebUqc>>.

¹¹⁴ – *The Korea Herald* (30 September, 2008), <http://admin.koreaherald.co.kr:8080/servlet/cms.article.view?tpl=print&sname=National&img=/img/pic/ico_nat_pic.gif&id=200810010003>.

¹¹⁵ – <<http://www.oreanda.ru/ru/news/20100624/common/events/article482914>>.

¹¹⁶ – Alexander Vorontsov and Oleg Revenko, “South Korea in Search of a Balance,”

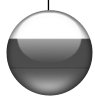
the South Korean interpretation of “strategic partnership” could mean only that Russia becomes a guaranteed source of energy and raw materials for South Korea without any further intensification of economic and technological ties. Some experts argue that for “overly pragmatic” South Koreans, the strategic partnership means only privileged access to resources. The ROK wishes to become a preferential destination for Russian raw material exports and to acquire more direct control over their development. Another goal is to promote a competitive edge for South Korean exports to the Russian market over such countries as China and Japan.¹¹⁷ The Russian government would like to see South Korean businesses become more involved in the implementation of such nation-wide programs as the “Economic and Social Development of the Far East and Trans-Baikal by 2013” and the “Strategy of Social and Economic Development of the Far East, Burytia, Irkutsk and Chita provinces by 2025.”

Russia would like to see Korea become an important partner in President Medvedev’s proclaimed modernization drive. In the past, Seoul seemed disinterested in Russia’s requests to increase cooperation in technological development, only trying to gain access to Russian technology by recruiting Russian scientists to implement Russian technical know-how at a fraction of its real costs.¹¹⁸ A welcome

Russia in Global Affairs, No. 6 (December 2008), <<http://www.Globalaffairs.Ru/Numbers/35/10839.html>>.

¹¹⁷- Alexander Vorontsov and Oleg Revenko, “South Korea in Search of a Balance.”

¹¹⁸- <http://www.businessweek.com/globalbiz/content/aug2009/gb20090825_345428_page_2.htm>.



sign was the discussion of Russia's modernization agenda which began in 2010 at the Russian president's initiative.¹¹⁹ During his meeting with Premier Putin in September 2010 President Lee stressed South Korea's reliability as a partner in modernizing the country's economy.¹²⁰ Russia would like South Korea to be a partner in such projects as Skolkovo Innovation City and other high-tech areas.¹²¹

What conclusions can we draw from this analysis? What is needed for Russia and the ROK to become true strategic partners?

- A consensus between the two countries should be founded upon the future of the Korean peninsula and the resolution of the North Korean security concerns (made up of nuclear, WMD, and over-militarization concerns). Based on this, the two governments should chart a joint action plan, which would help reduce tensions and lead to peaceful development of the Korean peninsula. Such a joint vision should become a major factor in international efforts aimed at resolving the Korean issue. Russia could renew

¹¹⁹- Joint Statement of the Russian Federation and the Republic of Korea (29 September, 2008), <<http://kremlin.ru/sdocs/themes.shtml#207001>>.

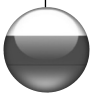
¹²⁰- <<http://www.korea.net/detail.do?guid=49768>>.

¹²¹- The most promising area of cooperation in the high-tech sphere, which could fall into the category of "strategic cooperation," is space technology. Following the first flight by a Korean astronaut to the International Space Station via Russian spaceship (April 2008), the Russian Space agency "Roskosmos" continues to implement joint projects such as the KSLS launching system, although this complicated process has encountered some natural difficulties due to understandable technological problems. Cooperation in the nuclear sphere includes Russia's supplying of nuclear fuel to ROK power plants (about one third of South Korea's total demand). Russia would like the ROK to participate in the International Uranium Enrichment Center in Angarsk and hopes for a positive decision from South Korea despite the differences of opinion.

its suggestion of a three-way dialogue (including a summit) between itself and the two Koreas.

- Efforts at cooperation in global affairs, especially in forming a new global financial system under the framework of the G20 and other international organizations, and the confrontation of new global challenges should be drastically increased. A special consultation mechanism might be created for that, perhaps under the framework of an inter-governmental commission on economic and technical cooperation.
- Both countries should decisively increase their interaction within the Asian regional architecture, including the East Asian Summits and the Northeast Asian peace and security mechanism. This can become one of the regular topics of strategic bilateral high-level dialogue.
- Seoul's leading role in the G20, manifested by the summit in Seoul in November 2010, could be a good starting point to prepare new joint Russian-Korean initiatives on Northeast Asian development, including energy and infrastructure. It should be remembered that in Europe, regional integration started with cooperation in energy. A "Northeast Asian Energy Charter" might be an idea worth pursuing. Energy security in this dynamic region (including coordination between suppliers and consumers) could be a vital issue for the Russia-ROK strategic partnership.¹²²

¹²²– Suggestion of former Russian Ambassador to ROK Gleb Ivashentsev at the 11th Russia-Korea Forum, St. Petersburg (29 May–1 June, 2010).



- Both governments should make efforts to build a more mutually beneficial model of economic cooperation, based on “horizontal” rather than “vertical” division of labor.
- Large-scale multilateral projects (such as the Transkorean Transsib railroad, oil, gas and electricity supply systems, and joint modernization of the North Korean economy) should form the focus of efforts by the two countries’ governments and businesses. The South Korea–Rajin–Khasan transport link in particular should become the pilot project for a strategic partnership between Russia and ROK which also involves North Korea.
- The two governments should endeavor to considerably increase person-to-person exchanges and cooperation in education, science, culture and sports. Joint educational programs should be undertaken (including mutual recognition of diplomas). South Koreans might be interested in investing in projects in Russia related to increasing public awareness of Korea, while Russia should allocate more resources and efforts to spread information about Russia and promote its culture in Korea.

All these areas should not be restricted to the domain of government efforts, but should be supplemented by a radical increase in track-two discussions (striving for increased impact), mass-media campaigns and grass-roots efforts.

■ References ■

1. Books

Brutenz, Karen. *On Russia's Foreign Policy Concept in Asia and the Pacific*. Moscow, 1995.

Eberstadt, Nicholas and Richard Ellings (eds.). *Korea's Future and the Great Powers*. University of Washington Press, 2001.

Kaplan, Robert. *Monsoon: The Indian Ocean and the Future of American Power*. Random House, 2010.

Nikonov, Vyacheslav and Georgy Toloraya (eds.). "Korean Peninsula: Challenges and Opportunities for Russia." Russian National Committee. 7 October, 2010.

2. Articles

Bardal, A. B. "The Trans-Korean Railroad." *Problems of the Far East*. No. 4, 2007.

Denisov, Valery. "A Partnership of Mutual Trust with Seoul?" *International Life*. No. 3–4, 2005.

Tkachenko, Vadim. "Vostochnaya Literatura." *Korean Peninsula and Russia's interests*, 2000.

Vorontsov, Alexander and Oleg Revenko. "South Korea in Search of a Balance." *Russia in Global Affairs*. No. 6, December 2008.

3. News Articles, Electronic Resources, etc.

Kang, Man Soo. "Strategy of Development of Russian-Korean Relations."
Presentation at the 11th Russia-Korea Forum(St. Petersburg). May
2010.

Joint Statement of the Russian Federation and the Republic of Korea.
September 2008.

Yu, Se Hee, Bong Gu Kang. "*Hangookin-eui Russia-e daehan image*
(Russia's image among Koreans)." The 18th Korea-Russia Joint
Conference, Hanyang University, 2007.

Korea Times.

Rossiyskaya Gazeta.

Seoul Herald.

The Korea Herald.

<<http://kremlin.ru>>.

<<http://moscow-info.org>>.

<<http://sr.fondedi.ru/new>>.

<<http://vestnik.kr>>.

<<http://vremya.ru>>.

<<http://world.lib.ru>>.

<<http://www.bfm.ru>>.

<<http://www.bloomberg.com>>.

<<http://www.businessweek.com>>.

<<http://www.dailynk.com>>.

<<http://www.forumsostav.ru>>.



<<http://www.Globalaffairs.Ru>>.
<<http://www.gpf-yaroslavl.ru>>.
<<http://www.gzt.ru>>.
<<http://www.istockanalyst.com>>.
<<http://www.korea.net>>.
<<http://www.nautilus.org>>.
<<http://www.oreanda.ru>>.
<<http://www.perspektivy.info>>.
<<http://www.rauk.ru>>.
<<http://www.rg.ru>>.
<<http://www.russiainvest.ru>>.
<<http://www.russian-embassy.org>>.
<<http://www.ruskiymir.ru>>.
<<http://www.votpusk.ru>>.

Part II.

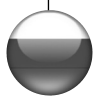
Russia Strategy for Economic Development and the Korean Peninsula



V. Main Trends and Prospects for the Russian Far East/East Siberia Region's Cooperation with Northeast Asia

Alexander N. Fedorovskiy





It is no easy task to explain the foreign economic relations of the Russian Far East region with other countries on the basis of just a few background factors. It is necessary to take into account a number of political, historical, macroeconomic and commercial factors in order to analyze economic trends in this very specific part of Russia. First of all it must be stressed that it is hardly possible to determine a single unified model of economic development for each of the territories of such a vast region as the Russian Far East. For example, such territories as Primorskiy Krai, Khabarovskiy Krai and Sakhalin oblast (Sakhalin Island and the Kuril islands) produce the major part of foreign trade of the region. Each of these regions has its own specific foreign economic relations, which are characterized below. At the same time it is possible to identify some common trends in economic development throughout the Russian Far East region. The strategic transformation of the Russian economy since the beginning of the 1990s changed the economic situation in the Russian Far East radically. The Kremlin's foreign policy towards the Pacific region has had an influence on the local economic situation in East Siberia and the Russian Far East.

Market reforms in Russia, the improvement of political relations between Russia and the Peoples' Republic of China, the establishment of official diplomatic relations between Moscow and Seoul, and other positive trends in the world and regional political situation after the end of the Cold War created a positive climate for the development of economic exchanges between Russia and APEC members, including the Northeast Asian countries. The Russian Far East region, which

had formerly been essentially closed off, began to trade directly with the Pacific countries.

Under these conditions, APEC's share of Russian total trade increased in the period 1991–2008 from 11% to 21%. But the dynamics of exports and imports during this period were not the same. APEC's share of Russian exports increased for a very short period from 11% in 1991 to 20% in 1994, then to 30% in 1996, but later declined during the second half of the 1990s to 17% in 1999 and 12% in 2008. In other words, two decades after the collapse of the Soviet economy, APEC members occupy the same portion of Russia's foreign exports as they did at the beginning of the 1990s. Meanwhile the role of APEC as an important source of import goods increased significantly in the 2000s. At the same time APEC members are important but still do not comprise the main part of the Russian export market (see Table V-1).

Table V-1 PEC's Share of Russia's Exports and Imports (in %)

	1995	2000	2005	2006	2007
Exports	16.0	15.1	12.4	17.1	12.2
Imports	16.1	16.1	25.6	28.6	31.8

Source: Russia's National Statistics.

The major part of Russia's trade with APEC area is Russia's trade with Northeast Asian countries. These countries are Russia's neighbors and their economies need Russian traditional export goods: oil, gas, coal, other mineral resources and woods, see products, etc. Moreover North East Asia is becoming the leading world economic center with

growing export base. These countries are among the main world exporters of machinery equipment, see ships, cars, IT technology, electronic goods, chemical goods, different kind of consumer goods, etc. So development of economic relations with Northeast Asia is crucial for Russia's integration in Asia–Pacific region, because Russia has an opportunity to cooperate in Northeast Asia with leading Pacific and world economies: Japan, China and the Republic of Korea.

Table V–2 Trade of the Russian Federation with Northeast Asia Exports (excluding CIS countries, mln. U.S. dollars)

Countries \ Years	1992	1995	1997	1998	2008
Total	42,040	81,096	88,252	72,538	397,935
China	2,737	3,432	4,015	3,146	20,725
Hong Kong	72	321	226	145	420
DPRK	227	70	74	54	140
ROK	204	919	945	524	2,209
Mongolia	189	197	166	133	1061
Taiwan	128	464	289	142	2,686
Japan	1,569	2,622	3,133	2,241	10,925
Northeast Asia (% of Total)	5,126 (12.1%)	8,025 (9.9%)	8,848 (10.0%)	6,385 (8.8%)	45,177 (11.4%)

Source: IMF, *Direction of Trade Statistics Quarterly* (Washington D.C., June 2009), pp. 318–320; IMF, *Direction of Trade Statistics Yearbook 1998* (Washington D.C., 1988) pp. 382–383; *Beijing Review*, Vol. 43, No. 14, <www.chinatoday.com/trade/a.htm>; *Monthly Bulletin on Trade with Russia and East Europe* (Tokyo, March 2000), p. 71.



China and Japan are among the top dozen Russian foreign trade partners. But Russia's trade with China, Japan and Korea during the 1990s (except for the first years of the decade) developed rather slowly. This situation changed from the beginning of the 2000s, and bilateral trade between Russia and Northeast Asia increased several times in the last decade. The rise in prices of oil, coal and mineral resources is the main factor behind the boom in Russian exports during that time.

Table V-3 Trade of the Russian Federation with Northeast Asia Imports (excluding CIS countries and excluding officially non-registered imports, mln. U.S. dollars)

Countries \ Years	1992	1995	1997	1998	2008
Total	36,984	60,945	73,460	44,078	238,039
China	1,669	886	1,266	1,154	35,431
Hong Kong	138	92	51	16	191
DPRK	65	15	17	8	17
ROK	753	502	882	1,016	11,333
Mongolia	249	40	83	49	695
Taiwan	85	88	122	74	930
Japan	1,680	763	1,002	818	17,836
Northeast Asia	4,639 (12.5%)	2,386 (7.8%)	3,423 (4.7%)	3,135 (7.1%)	66,433 (27.9%)

Source: IMF, *Direction of Trade Statistics Quarterly* (Washington D.C., June 2009), pp. 318–320; IMF, *Direction of Trade Statistics Yearbook, 1998* (Washington D.C., 1988) pp. 382–383; *Beijing Review*, Vol. 43, No. 14, <www.chinatoday.com/trade/a.htm>; *Monthly Bulletin on Trade with Russia and East Europe* (Tokyo, March 2000), p. 71.

Cooperation with Northeast Asia allows Russia to have access not only to growing markets for traditional exports (fuel, mineral resources, etc.) but also to markets for Russia's manufactured exports (including weapons, military equipment and technology), new sources of foreign investment, prominent sources of high technologies and modern equipment, certain kinds of raw materials, foods and consumer goods. At the same time, Russia's presence in Northeast Asia is a factor behind the growing competition in the region for financial resources and for high technology and modern equipment, as well as competition between exporters of raw materials and fuel, and competition between exporters of high technology and equipment (including military goods and technology).

It seems that Russia's Northeast Asian neighbors are interested in exporting industrial and consumer goods, investment, and technology to Russia. As a result business exchanges between Russia and Northeast Asia increased significantly in the 2000s. But economic relations between Russia and Northeast Asian countries are weaker than economic relations among Northeast Asian countries. Moreover economic relations between Russia and Western countries have developed even more successfully. What are the main reasons behind this trend?

It is hardly reasonable to say that Russian political leaders do not pay enough attention to Pacific countries. Every Russian head of state from M. Gorbachev to D. Medvedev has consistently declared that the Pacific region in general and Northeast Asia especially is very important to Russia's foreign trade. For example, President D. Medvedev declared that it was vital that the Russian Federation integrate deeply



with the Asia–Pacific region because of its national interests.¹²³ But the Russian political and business elite still prefer to do business with European partners. As a result Russian business activity in Northeast Asia is not as strong as it is in the EU or the U.S.A.

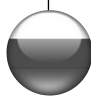
According to I. Ivanov, a leading Russian expert in foreign economic policy, “The main geographical structural problem in Russia is ‘Eurocentrism’ (the misbalance of Russian foreign economic policy in favor of the EC–A.F.).”¹²⁴ Russia’s eastern transport and foreign trade infrastructure is underdeveloped compared with that of the European part of Russia.

The world financial and structural crisis of 2008–2009 did not have as strong of an influence on the Northeast Asian economies. But regional demand for Russian traditional export goods shrank significantly during 2008–2009. In 2010 exports of traditional goods from Siberia and the Russian Far East resumed, and Russia had another chance to restore or even to increase its trade and economic cooperation with those countries.

However, it is important to improve the structure of foreign trade. For this purpose it will be necessary for Russia to modernize its export industries, taking into account the realities of the Russian Far East region.

¹²³– D.A. Medvedev, “Strengthening Dynamic and Equal Partnership in the Asia-Pacific Region,” <<http://www.kremlin.ru/text/appairs/200811/209480.shtml>>.

¹²⁴– I. D. Ivanov, *Vneshneekonomicheskiy complex Rossii: vsglyad iz nutry* (Russia’s foreign trade complex: an inward view), (Moscow: Rus-Olimp, 2009), p. 288.



1. Three Types of Foreign Trade With Northeast Asia

As was mentioned earlier, the territories of the Russian Far East region have both common and distinct features. All of these territories suffered during the period of transition from administrative to market economy. From 1991 to 1998, industrial output in the Russian Far East declined by 60%, while in Russia overall it declined by 50%.¹²⁵

At the same time, the economic structures of the Russian Far East territories differ from each other significantly. For this reason, the types of foreign trade pursued by each of these territories differ also. Under these circumstances, the foreign economic relations of Primorskiy Krai, Khabarovskiy Krai and Sakhalin oblast (Sikhalin Island and the Kuril islands) with their Northeast Asian neighbors should each be analyzed separately.

Sakhalin Oblast may be considered the “export model” of the Russian Far East. Primorskiy Krai could be described as the “import model” territory, and Khabarovskiy Krai as the “balanced model.”

Sakhalin Oblast is a good example of “a success story” of economic development in one territory of the Russian Far East. During the last ten years Sakhalin’s GRP (gross regional product) increased 9 times, producing the best result in the Russian Far East region. Even during the crisis period, in 2009, the GRP of Sakhalin

¹²⁵– A. Fedorovskiy, “Conditions and Prospects in the Russian Far East,” F. Joseph Dresen (ed), *Russia in Asia-Asia in Russia: Energy, Economics and Regional Relations: Conference Proceedings, Occasion Papers, No. 292* (Washington D.C.: Kennan Institute, 2005), p. 5.

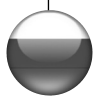
Island increased by 7.5% – the best rate of growth in Russia last year – while the export quota (export/GRP) was 80%. The forecasted growth rate of Sakhalin’s economy in 2010 is about 7%.

Economic trends in Sakhalin make it possible to forecast that during the next 15 years the GRP of the island will increase 4 times. This optimistic view is based on the successful development of the energy industry in this territory and on the rather pragmatic and realistic economic policies adopted by the regional government.

The export industry of Sakhalin Island has been modernized radically since the Soviet period. More than \$31 billion was invested in Sakhalin’s economy (90% in the energy sector) by such trans–national corporations (TNCs) as Exxon, Royal Dutch Shell, Mitsui & Co, Mitsubishi Corp., McDermott, Marathon and others, with cooperation from leading European and Japanese banks. Japanese investments account for about 50% of all foreign investments in Sakhalin.

Modern oil and gas production facilities of various kinds were constructed during the late 1990s and in the first decade of the new century. One of the largest LNG factories in world was built in Sakhalin in 2009 (with a capacity of 9.6 million tons of LNG per year). As a result, Sakhalin’s LNG exports meet the needs of 5% of the global LNG market.

But foreign investment decreased 3.5 times in the period 2007 – 2009 due to the Sakhalin 1 and Sakhalin 2 projects. This means that Sakhalin’s government has to seek out new opportunities to support development of the energy industry and other industries on the island.¹²⁶



The Russian government supports TNC activities on Sakhalin because since the mid–2000s they have had joint control of the business through Russia’s state–controlled oil company Rosneft and its gas company GASPROM.

The total exports of Sakhalin Island reached \$10 billion in 2008, while imports were at about \$1.1 billion. More than 90% of these exports consist of oil and gas. The vast majority of oil is exported to the Republic of Korea (more than 50%) and Japan (44%). Other consumers are not so important, like Thailand (1%) and the U.S.A. (0.7%). Japan (50%) and the Republic of Korea (40%) are the main importers of LNG from Sakhalin. China and some others countries are also among consumers of LNG from Sakhalin. It is interesting that up to now China has not been a major consumer of energy from Sakhalin (only 2% of oil exports went to China).¹²⁷

No other goods play such an important role in Sakhalin’s exports. Fish and other sea products comprise 3.5% of total exports. These kinds of goods are imported by the Republic of Korea (31%), China (23%), Japan (23%) and Hong Kong (12%). The fisheries industry is now booming on Sakhalin: the number of fish factories increased from 16 to 37 in the space of about five years. The vast majority of these are private. This is strong evidence of the positive trends in the

¹²⁶– N. V. Zubarevich, Vystuplenie na Conferentsii(Report to the conference), “Modernizatsiya kak osnova ustoichivogo sotsyalno-ekonomicheskogo razvitiya regiona(Modernization as a base for sustainable social & economic development of a region),” *Conference Proceedings*(In Russian), Government of Sakhalin Oblast, INSOR (Moscow: Econ-Inform, 2010), p. 43.

¹²⁷– Statistical Data of Administration of Sakhalin Oblast.

business climate on the island.

About 5% of Sakhalin's exports are made up of wood, paper and other goods and services. But it is necessary to note that the wood industry had been stagnating for a long period, and only recently has business activity in this industry resumed.

As for imports, it is worth noting that the development of the energy industry was a key factor in the increase in imports at the beginning of the 2000s. Later on imports gradually expanded after the pipelines and LNG factory were completed at the end of the 2000s. Meanwhile, because some other oil and gas projects are on the agenda or will be realized in the middle-term, machinery and equipment are still the leading items of import (50%).¹²⁸ High tech equipment and technology for the energy industry is being imported from leading industrial countries - this is one of the most important factors behind the economic success of Sakhalin.

Exports from Primorskiy Krai reached \$1.6 billion while imports of goods and services of this territory totaled \$5.5 billion in 2008.¹²⁹ These figures provide an excellent illustration of the economic differences between Sakhalin and Primorskiy. The biggest cities of this territory are Vladivostok and Nakhodka - the most important Russian sea ports and logistics centers on the Pacific coast. China (35%), Japan (31%) and the Republic of Korea (9%) are its main foreign trade partners. Some mineral resources, coal, wood, fish and

¹²⁸– Statistical Data of Administration of Sakhalin Oblast.

¹²⁹– Statistical Data of Administration of Primorskiy Krai.

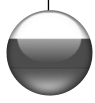
sea products are among the main export goods. Food, garments and consumer goods are imported from China; cars and capital goods from Japan; and consumer electronics, cars and ships from the Republic of Korea.

It is necessary to note that these imports are distributed not only in Primorskiy Krai but also in other territories of the Russian Far East and other regions of Russia. This means that Vladivostok and Nakhodka are really Russia's Pacific gateways. But better ports and transport infrastructure are badly needed in order to enable these cities to fully realize their potentials as hubs of commerce.

The Russian government is financially supporting the development of transport infrastructure and energy facilities in preparation for the special event "APEC Summit 2012 in Vladivostok." This includes such measures as support for modernization of education, health and research centers, and communications networks. All of these efforts require increased cooperation between Primorskiy Krai and government institutions, as well as business and public organizations of foreign countries, especially the neighboring countries of Northeast Asia.

Another important task is improving the business climate in Primorskiy Krai. (This issue is vital for other parts of the Russian Far East also). This problem must be resolved; criminal activity and corruption not only undermines domestic Russian businesses and modernization programs, but also has a negative influence on foreign trade, the influx of capital, and the development of foreign tourism.

Khabarovskiy Krai has its own special approach to economic development. This territory produces wood as well as many other



natural resources. Khabarovskiy Krai is also the leading industrial center in the Russian Far East region. For example, military fighters and civilian aircraft Super Jet 100s are produced in Komsomolsk – on – Amur for domestic and export markets. Meanwhile foreign trade in this territory is less than in Sakhalin and in Primorskiy Krai, totaling \$3.3 billion in 2008 (exports - \$2.1 billion, imports - \$1.2 billion).¹³⁰

China's share (41% of exports and 45% of imports) of this territory's foreign trade provides evidence of how having China as a neighbor is another important factor in the development of foreign trade in Khabarovskiy Krai. Other important foreign trade partners are Japan (14% of the territory's exports and 15% of imports) and the Republic of Korea (17% and 9% accordingly).

Sea port facilities in this territory are limited, which is why Khabarovskiy Krai's foreign trade depends badly on the transport infrastructure of Primorskiy Krai. In order to resolve this problem, the ports of Vanino and Sovetskaya Gavan' will be reconstructed and their freight turnover will increase in 2020 to 60 million tons.

Since the beginning of the 1990s, Russian small business has played an important role in economic relations with Northeast Asian countries. The majority of Russian shuttle traders specialized in imports of food and consumer goods from China and South Korea. This kind of business is very flexible and depends on current economic conditions at home and abroad. Thus, in the early 1990s shuttle traders imported chips and low quality consumer goods

¹³⁰– Statistical Data of Administration of Khabarovskiy Krai.

primarily from China. In the mid–1990s, due to changing domestic demand in favor of higher quality goods, small shuttle traders preferred to import more expensive goods of better quality from South Korea; however, after the devaluation of Russia’s national currency in 1998, shuttle traders resumed imports of Chinese consumer goods on a large scale.

Shuttle traders continue their business activities today. However, since the mid–2000s large trading companies have been successfully competing with shuttle traders. Some Russian traders from Khabarovskiy Krai have invested millions of U.S. dollars in China’s northeastern provinces in order to produce food, garments, consumer goods, furniture, etc. for the Russian domestic market (including Khabarovskiy Krai, other territories of the Russian Far East, Siberia and European Russia).

During the last decade, efforts to modernize roads (including Chita –Khabarovsk road) and railroads (Transsib and BAM) were initiated by the Russian federal government. These kinds of economic and social measures are a product of Moscow’s intentions to improve the economic situation and halt the negative demographic trends in the Russian Far East.

President D. Medvedev declared in July 2010 that government policy towards the Russian Far East must be integrated into the strategic program for the region’s development. Various aspects of international cooperation, including foreign business activity in Russia, energy programs, and cooperation with China, are among the main issues addressed by this program.

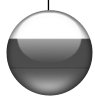


2. Russian Energy Policy in Northeast Asia and China

Russian economic development depends heavily on the situation in the energy industry. This sector accounts for 30% of Russian industrial production and 50 - 60% of Russian exports. Traditionally Russian oil and gas companies have cooperated with European countries, and the EU is still the main export market for Russia's energy industry. Disputes with European partners over energy prices, problems with gas transition in Ukraine, and other issues have influenced Russia's export strategy. On the one hand some European countries are traditionally suspicious of Russia and thus strive to avoid being dependent on it for energy. At the same time, due to increasing competition in Europe, Russia needs to expand into new markets, and Northeast Asia seems to be the most attractive option.

Since the mid-2000s Moscow has tried to diversify its exports of energy resources in favor of Northeast Asia. The Russian government now faces two key problems: how to accelerate economic growth in East Siberia and the Russian Far East region, and how to stabilize or even strengthen Russia's political and economic positions in the global energy market. Thus the search for solutions to these problems will shape Russian energy policy in the Pacific region as a whole and particularly in Northeast Asia.

The short-term and long-term tasks of Russian energy policy in NEA are obvious: in the short-term it must strengthen its position in the region and find markets for Russian gas, and in long-term it



hopes to become the leading gas supplier and one of the main oil suppliers for NEA, competing successfully with energy producers in the Middle East. Russia hopes to increase its share to 30% of total oil and gas exports in NEA.¹³¹

Exploration of the East Siberia and Russian Far East oil and gas fields is a top priority of Russia's economic policy. At present the main task for Moscow is the construction of a transport and logistics infrastructure capable of supplying energy resources to Northeast Asian markets.

An oil pipeline between Irkutsk (Eastern Siberia) and Skovorodino (near China's border) has been constructed and oil export facilities have expanded significantly. In the next stage of this project a pipeline between Skovorodino and the Pacific coast in Primorskiy Krai will be completed within two years with financial support from China. China's Bank of Development gave \$25 billion in credit to Russian companies Rosneft and Transneft. In return, Russian companies will supply China with 15 million tons of oil annually for 20 years.¹³²

Shortly before President D. Medvedev's visit to China in September 2010, Rosneft and CNPC agreed to invest \$5 billion in the establishment of a joint Russian–Chinese oil refining company in order to construct an enormous oil refining factory in China (oil will be imported from Russia via the new pipeline) and supply 500

¹³¹– I. Tomberg, "Asian oil and gas markets: Prospects for Russian exports(In Russian)," in *God planet: economica, politica, bezopasnost* (Moscow: Nauka, 2007), p. 41.

¹³²– *RBK Daily*(In Russian) (18 February, 2009), <<http://rbcdaily.ru/print>>.

Chinese filling stations.¹³³

The federal government's policy towards the Russian Far East region was criticized by President D. Medvedev in his speech in Khabarovsk in July 2010, who argued that domestic economic policy in East Siberia and the Russian Far East is not adequately connected with foreign economic policy.¹³⁴ The president's remark is nothing new. Two years ago, shortly after D. Medvedev's inauguration as president of the Russian Federation, he stressed that the development strategy for Siberia and the Russian Far East can be successfully realized only if it is backed up by Russia's involvement in international cooperation in East Asia.¹³⁵ Thus the correlation between domestic and foreign economic policies is a vital issue which must be addressed in the near future in order to propel the development of East Siberia and the Russian Far East.

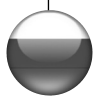
Developing the mineral resources of East Siberia and the Russian Far East will help to stimulate economic growth in these distinct regions, attract investment, promote the creation of an integrated infrastructure, increase the employment rate, and consequently create eastward migration pressure in the central regions of Russia; in addition, it will lay the foundation for expanding Russia's presence in the world energy market.

Under these conditions, special attention is being paid to improving economic relations with China. A special program for economic

¹³³– *Vremya Novosti*(In Russian) (22 September, 2010).

¹³⁴– <<http://kremlin.ru/transcripts/8234>>.

¹³⁵– D. A. Medvedev, Excerpts from the Transcript of Meeting with Representatives of the Regional Media, <http://kremlin.ru/eng/text/speeches/2008/11/18/2139_type829>.



cooperation between East Siberia & the RFE and the northeast provinces of China has been adopted by the Russian government. Through this program about 205 joint business projects will be undertaken in 2009–2018 in industries such as agriculture and food, wood, energy, tourism, etc. A new bridge will be built spanning the Amur River in Evreiskaya Oblast. This will shorten the path to China for local businesses by 1,700 km.¹³⁶

During President D. Medvedev’s visit to China, 17 joint economic projects were adopted by both sides, including 10 energy projects. Thus SUEK Company (Siberia Coal Energy Company) will supply China with 1 million tons of coal by the end of this year. Rosneft and CNPC signed new deal on oil exports to China. GASPROM intends to supply China with natural gas from 2015, although it failed to reach an agreement with the Chinese side on the price issue. The first stage will focus on gas exports from Western Siberia and a later stage will deal with exports from East Siberia and the Russian Far East.

Some foreign experts believe that Russia–China economic cooperation in energy is closely connected with such political issues as the territorial disputes both countries have with Japan and U.S. missile defense programs in the North Pacific region.¹³⁷ But it seems that this political view is not correct. As was mentioned above, the main task for Russia is improving its economic presence in Northeast Asia.

¹³⁶– D. A. Medvedev, Excerpts from Transcript of Meeting on the Far East’s Socioeconomic Development and Cooperation with Asia-Pacific Region Countries, <<http://kremlin.ru/transcripts/547>>.

¹³⁷– P. J. Brown, “Russia along for a Chinese ride,” *Asian Times*, <<http://atimes.com/atimes/ChinaLJ06Ad03.html>>.

This is necessary for Moscow for many reasons. Redistributing economic power within Russian in favor of East Siberia and the Russian Far East, diversifying exports in order to balance national foreign trade, and creating an adequate foundation for economic integrating the eastern part of the country into regional economic cooperation in Northeast Asia are among the most urgent issues in Moscow's strategy for the economic development of East Siberia and the Russian Far East.

* * *

Russia will host the APEC summit in Vladivostok in 2012. This will be a great chance for Moscow to demonstrate its radically modernized foreign economic relations with the Pacific countries, especially with its Northeast Asian neighbors. Russia's new image will be closely connected with Moscow's views on Northeast Asian integration in such areas as energy and ecology, innovation and modernization of basic industries, transport and communications, healthcare and education, etc.

Some impressive economic results have been reached in relations between East Siberia and the Russian Far East region and the economies of Northeast Asia in the last twenty years. Nevertheless Russia's economic relations with Northeast Asia are not as broad and flexible as economic cooperation between Russia and the EU.

Today Russia is at a crossroads: traditional step by step development of East Siberia and the Russian Far East and traditional foreign economic relations with Northeast Asian countries will diminish Russia's possibilities of improving its domestic economic and social situation

and cooperating successfully with other Pacific countries.

The recent economic history of such territories as Sakhalin Oblast should be analyzed in order to identify new opportunities to increase and modernize bilateral relations between Russia and Northeast Asia. The question is whether the federal government will be able to initiate a new regional strategy taking into account that it is impossible to apply the same policy towards such areas as Irkutsk Oblast and Sakhalin Oblast.

It will be necessary to provide more flexible taxes, tariffs and customs, an also more flexible financial, migration, and legal policies in East Siberia and the Russian Far East. Domestic regional strategy should be closely connected with foreign policy towards the Northeast Asian region. Huge financial resources should be invested in the modernization of the transport, industrial and social infrastructure of the Russian Far East. This task cannot be resolved by domestic investments alone; support from foreign investors will be needed. Russian business institutions will have to adequately serve the regional institutions as well. But it would be a mistake to focus only on economic cooperation with neighboring countries and ignore the non-economic aspects of cooperation between Russia and Northeast Asia, including humanitarian and cultural exchanges. Finally, it is worth noting that all of these measures should be accompanied by Russia's involvement in regional economic cooperation at various levels: government, regional, business and public.

■ References ■

1. Books

Ivanov, I. D. *Vneshneekonomicheskii kompleks Rossii: vsglyad iz nutry*(Russia's foreign trade complex: inward view). Moscow: Rus-Olimp, 2009.

Tomberg, I. *God planet: ekonomika, politika, bezopasnost*(Asian oil and gas markets: prospects for Russian export). Moscow: Nauka, 2007.

2. Articles

Fedorovskiy, A. "Conditions and Prospects in the Russian Far East." *Russia in Asia-Asia in Russia: Energy, Economics, and Regional Relations*. Conference Proceedings. Occasion Papers. No. 292, Washington D.C.: Kennan Institute, 2005.

Zubarevich, N. V. Vystuplenie na Conferentsii: Modernizatsiya kak osnova ustoichivogo sotsyalno-ekonomicheskogo razvitiya regiona (Report to the conference: Modernization as a base for sustainable social & economic development of a region). Conference Proceedings. Government of Sakhalin Oblast, INSOR. Moscow: Econ-Inform, 2010.

3. News Articles, Electronic Resources, etc.

Medvedev, D. A. Excerpts from Transcript of Meeting on the Far East's Socioeconomic Development and Cooperation with Asia-Pacific Region Countries. Khabarovsk. July 2010.

IMF, Direction of Trade Statistics(1998), Washington D.C., June 2009.

Statistical Data of Administration of Khabarovskiy krai.

Statistical Data of Administration of Sakhalin Oblast.

Asian Times.

RBK daily.

Vremya Novostei.

<<http://atimes.com>>.

<<http://kremlin.ru>>.

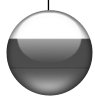
<<http://rbcdaily.ru>>.



VI. The Russia-to-Korea Railroad Connection Project: Present State and Prospects

Alexander Vorontsov





The Russia - to - Korea Railroad Connection Project is not a new idea, but it remains a very important one. The idea of constructing a land bridge from Asia to Western Europe via Russia has not only been under active discussion for more than 10 years, but considerable steps have already been taken to realize it.

The international environment around the project changes constantly, and now is definitely not the best time because of the recent tensions in inter - Korean relations.

Another new essential phenomenon is the rapid growth of Chinese railroad construction activity in North Korea. Although at the beginning of this decade Beijing was the most passive player in the framework of the Korea - related Trans - Eurasian Railroad concept's advancement,¹³⁸ starting from last year Chinese activity and presence in North Korea has dramatically increased. This includes active efforts to construct a railroad from the China North Korea border to Rajin harbor.

So despite many optimistic assessments of the project by observers in the past, there are many obstacles in the way of this grand undertaking, and also controversial consequences.

Moreover, the difficulties encountered already during the initial phase of discussions and practical implementation of rail transit cooperation between the interested countries - Russia, North Korea, and South Korea - have become increasingly serious. Therefore, the

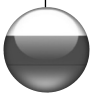
¹³⁸- Alexander Vorontsov, "The Korean Peninsula Railroads. Trans-Korean Railroad, Transsib and Europe connection," *Asia Railroads* (Moscow, 2004), p. 116; A. В. Воронцов, "Железные дороги Корейского полуострова. Проект соединения Транскорейской железной дороги с Транссибом и Европой," в книге *Железные дороги Азии* (Москва, 2004), с. 116.

time has come for a thorough, broad, unbiased and healthily skeptical analysis of the *pros* and *cons* associated with “the railroad project of the century.”

Moscow looks to the use of the Trans–Siberian railroad for freight transit from Asia to Europe as an opportunity for Russia to take a greater role in Eurasia, to become a link between the two continents, and thus to both generate significant revenues and attain a higher status in the global economy.

As is well known, the ongoing process of globalization manifests itself in a deepening political and socioeconomic interdependence between countries, and in particular, an increasing openness of state borders to the flow of products, services, investments, and workers. Russia cannot afford to be a passive witness of this process. In the context of globalization, the country’s transit potential is an asset no less important than its energy resources or capabilities in the innovation sphere. Everyone knows that Russian President D. Medvedev’s now–popular notion of state development has concentrated on two key words: “innovation” and “modernization.”

The development of the international transit sector is an urgent task, since expediting the delivery of products from manufactures to markets and opening cheaper transportation routes would open vast transit business opportunities. Due to its geography, Russia would be the optimal host for a land bridge connecting East Asia and Europe. Thus, the project of uniting Russia’s Trans–Siberian railroad and the Trans–Korean railway (which is yet to be reconstructed) to create the world’s longest overland transit corridor appears feasible.



1. The Project's Benefits are Obvious

In general terms, the project aims at opening the shortest, most secure, and relatively low – cost route for the transit of large numbers of containers to Europe – mostly from Korea, but also from China and Japan. The transit time from Busan in Korea to Europe via the Korean Peninsula and Russia's Trans – Siberian Railroad would be 13 – 15 days, as opposed to the 40 – 45 days required to deliver freight by sea via the Suez Canal.¹³⁹ As for Russia's direct financial gains, expert estimates show that with a direct link across the Korean Peninsula from Korea's southern ports to the Russian city of Ussuriysk, the transit flow via the Trans – Siberian Railroad would rise by a factor of 2 – 4, generating some \$15 – 20 billion annually for Russia's budget.

There is nothing fundamentally new about this plan. Politicians, the business community, and experts have been discussing it for nearly a decade, but with no considerable results. Russia's transit potential largely remains underused while the majority of Eurasian transportation flows continue to circumvent the country. There are several underlying factors behind this situation.

First, Russia's overall weakening in the 1990s has taken a toll, and efforts to restore and upgrade Russia's transit capabilities are insufficient at present. Since it lost its position in the rail transit sector, Russia has failed to stage a comeback. In the meantime, the past decades have

¹³⁹– <<http://www.transsibcouncil.com/tsm.transkorea.html>>.

witnessed the formation of a fairly stable structure for the international transit market based mainly on reliable and relatively low-cost marine transportation. Russia's involvement in this market is limited to the consumption of transit services. Predictably, the influential "marine lobby" which has already established long-term ties with its clients would not be pleased to see Russia emerge as a competitor.¹⁴⁰

Secondly, financial, organizational, and technical difficulties have arisen which impede the implementation of the project. Despite the possibility of expediting freight delivery through use of the railroad, higher costs and incessant changes in the conditions of transit present a problem, as do complicated customs procedures and transit regulations.

Speaking at the March 2006 conference "The Trans-Siberian Railroad in the XXI Century: The Potential for Railroad Cooperation" in Vladivostok (Russia), foreign participants criticized Russia's high customs tariffs and clearing formalities which have caused delivery delays, the deficiency of Russia's rolling stock, the condition of the railroad infrastructure which needs to be modernized to process heavier container flows, and the lack of preferential treatment for major and permanent clients who so far see no benefit in switching to the Trans-Siberian route.

¹⁴⁰ "Transsib as a Challenge for Marine Carriers of Cargo," *Russia Railroad-Partner Magazine*, No. 5 (2002); "Транссиб как вызов морским перевозчикам," *РЖД-ПАРТНЕР*, No. 5 (2002), <<http://www.transportinform.com/rail-transportation/85-transsib-kak-vyzov-morskim-perevozchikam.html>>.

The cost of transit remains the key issue. Until 2006, the cost of container transit from Korea to Finland and back by sea was roughly the same as via the Trans–Siberian Railroad through Vostochny port – slightly over \$3,000 per container. Later, marine transit costs were reduced thanks to increases in ship capacity, while the Trans–Siberian Railroad costs rose by at least 20–40%. As a result, Korean and Japanese carriers turned to the cheaper marine route.

The cultivation of Russia’s transit potential requires, above all, connecting Russia’s existing railroad networks to the transit networks of other countries and creating new international transit corridors on this basis. The inauguration of the Trans–Korean Railway linking Busan, one of Asia’s major ports, to the Trans–Siberian Railroad could revamp the entire structure of transit flows in Northeast Asia.

The reconstruction of the Trans–Korean Railway became a realistic project due to the gradual improvement in relations between the Koreas, which began in the late 1990s with their transition from former hostility to reconciliation and broader cooperation. An agreement to resume railroad transit between the two countries via the demilitarized zone, which was disrupted following the 1950–1953 war, was reached at the June 2000 Summit. Former Korean President Roh Moo–hyun charged his country’s government with the task of creating a railroad corridor connecting Korea to Europe in order to realize his vision of making the Korean Peninsula the logistical hub of Northeast Asia.

ROK President Lee Myung-Bak during his visit to Moscow in

September of 2008 introduced the concept of three silk roads, including the rail route.¹⁴¹

Russia showed interest in the project from the start, as it would open opportunities for greater cooperation with both Koreas. The corresponding range of issues was discussed at the Russia–North Korea summits in 2000–2002. In August of 2001 Russian President V. Putin and Chairman of North Korea’s National Defense Commission Kim Jong–Il signed a declaration in Moscow which, in Paragraph 6, expressed consensus on the creation of a railroad corridor linking South and North Korea and its connection to the Trans–Siberian Railroad.¹⁴² Shortly after that, the Russian Transportation Ministry and the North Korean Railway Ministry signed a cooperation agreement which addressed specific practical issues of reconstruction of the Trans–Korean Railway and its integration with the Trans–Siberian Railroad.

A study of the northeastern branch of North Korea’s railroad network was carried out and calculations of the reconstruction parameters were performed within the framework of these agreements. The Russian state–run railroad company RZD held bilateral talks with both Pyongyang and Seoul on the implementation of the project. Trilateral talks were held as well. Reconstruction of the railroad link via the

¹⁴¹– “South Korea is Going to Lay Three Branch Lines on the ‘Silk Road’,” *Rossiiskaya gazeta*, No. 4761 (30 September, 2008); “Три ветки ‘шелкового пути’ собирается проложить в Россию Южная Корея,” *Российская газета*, No. 4761 (30 сентября 2008г).

¹⁴²– “Russia-DPRK Moscow Declaration Signed,” *The People’s Daily* (5 August, 2001), <http://english1.peopledaily.com.cn/english/200108/05/eng_20010805_76554.html>.

demilitarized zone accelerated at the same time. The links between Munsan(South Korea), and Kaesong(North Korea) in the west and between the Chongjin and Kumgangsan stations in the east were functional as of May–June 2003. It was decided that test trains would start passing through the demilitarized zone as early as 2005–2006, and regular traffic would resume shortly after. However, this plan still has not materialized.

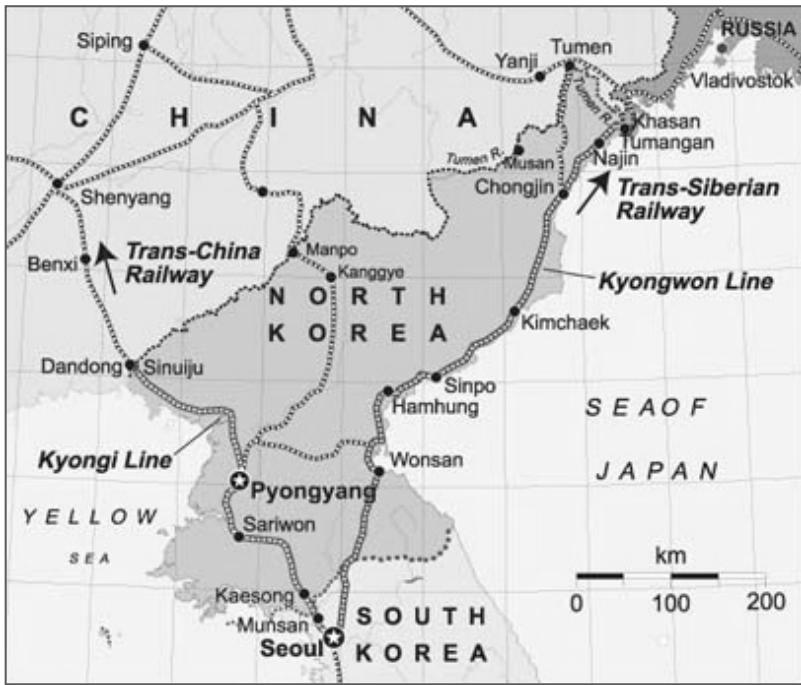
A range of factors impede the implementation of the railroad project. These factors include the high costs of the project and the difficulty of finding funding sources, the problems faced by businesses in North Korea as a result of the country's disregard for common corporate standards, and, most significantly, the political risks arising from international political tensions due to the unresolved conflict over North Korea's nuclear program and recurrent complications in the relations between the two Koreas.

The chances of attracting investment for massive economic projects in North Korea dropped after the country test–launched ballistic missiles in July and carried out nuclear tests in October of 2006, and sanctions were imposed against the North by the UN. Since Pyongyang's moves tend to be unpredictable, further tests and, consequently, new sanctions may still be possible. As a result, serious investors are waiting to see what the future holds and have indicated that major financial investments into the reconstruction of North Korea's infrastructure can only be considered after the conditions necessary to ensure peace, security, and stability on the Korean Peninsula are created.



Disagreements over a number of specific issues among the project members - Russia, North Korea, and South Korea - also put obstacles in the way of implementation. Pyongyang's extremely cautious approach to cooperation with South Korea certainly hinders the project. The North Korean leadership worries that opening up the country's southern border could lead to an influx of "alien", "ideology" and infringe upon the country's defense potential. Curiously enough, though both railroad segments, each shorter than 25 km, were rebuilt five years ago, even their limited operation - mainly for the purposes of the Kaesong R&D Park - began only in December 2007 after the military ministries of the Koreas exchanged "security guarantees." Obviously, for the same reasons Pyongyang has reservations about permitting staff from South Korea to assist in the reconstruction of North Korea's railroads, especially in strategic regions, and prefers to delegate the financial, technical, and organizational aspects of the process to Russia.

There is ongoing controversy over the optimal route of the Trans-Korean Railway. Specialists who have studied potential connection routes between the Trans-Korean railway and the continent suggest three routes - western, central, and eastern.



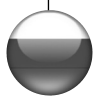
Source: <<http://www.transsibcouncil.com/tsm.transkorea.html>>.

The first one - the so-called Kaesong line - passes from Busan via Seoul to Kaesong, then via Pyongyang to the city of Sinuiju near the North Korean border, and further stretches to the Trans-Siberian Railroad, to which it connects in the Chita Region. This is the route Seoul described as the Great Silk Road from Korea to Manchuria, Mongolia, and Russia and has been the most favored option from the start. In the past it was the main railroad on the Korean Peninsula, and if rebuilt it should be able to handle the growing flow of freight between Korea and China. Besides, Seoul believes that this route would help to intensify economic interaction with North Korea as it would pass near the Kaesong Industrial Park and other special

economic zones which South Korea plans to eventually set up in the southwestern part of North Korea. Another advantage of the route is that the corresponding railroad is in relatively decent technical condition. It goes across flat terrain practically without any bridges or tunnels, and therefore the costs of its upgrade and operation should be minimal.

The eastern route - known as Donghaeson - is favored by North Korea. It passes mainly along the shore of the Sea of Japan, via Onjong -ri to Chuncheon and then via Rason (formerly Rajin - Sonbong) to the Tumangan - Khasan checkpoint at the border between Korea and Russia. Supposedly, with this route North Korea hoped to address a number of its domestic problems, such as reviving the economy of its underdeveloped peripheral regions, along with becoming involved in international transit. This route, however, lies further away from the industrialized regions of South Korea from which most of the freight would originate and thus would entail higher transit costs. It should also be kept in mind that practically no construction has taken place on the eastern route - links exist only between small railroad segments near the demilitarized zone which are used for tourist purposes and are not connected to the railroad networks of North and South Korea. To implement this variant of the project, South Korea would have to construct at least 180 km of rail and buy up privately owned land for the purpose. For these reasons, the eastern route is not regarded as a serious option.

The northern route - Kyongwonson - is best aligned with Russia's interests. It passes across the economically developed regions of



South Korea (Busan, Seoul, Munsan) and North Korea (Kaesong) and stretches further to Wonsan and then directly on to the Trans–Siberian Railroad via Khasan and Ussuriysk. Neither new rail construction nor acquisition of privately owned land is needed to activate this route; the main task would be to reconstruct and upgrade the already functioning railroad.

Nevertheless, technical and economic difficulties would also arise if this route is chosen for the Trans–Korean Railway. The technical condition of the northeastern segment of North Korea’s railroad network (totaling about 1,000 km of track) is extremely unsatisfactory. The same is true of the corresponding rolling stock, technical equipment, and overall infrastructure. The route passes across a mountainous region of North Korea. As a result, it is a single–track railroad with a large number of bridges and tunnels built mostly in the 1930s and 1940s which have seen no repair since that time and are in perilous condition. For example 30% of the bridges (587 altogether) and 24% of the tunnels (165 altogether) are in very poor conditions.¹⁴³ Though the cost of upgrading the route to the level necessary for international transit has never been calculated, experts expect it to reach \$5–7 billion. The time it would take for reconstruction is estimated at 6–8 years. Such a serious investment can be made only if it is certain that freight exchange between South Korea and Europe via the northeastern region of North Korea would be active and secure.

¹⁴³– Alexander Vorontsov, “The Korean Peninsula Railroads: Trans-Korean Railroad, Transsib and Europe connection,” p. 121.

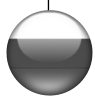
It is clear from the above that the reconstruction of the North Korean railway and the resumption of direct rail transit between the Koreas with a link to the Trans–Siberian Railroad would be too difficult a task for any particular country, and the only viable solution is an international financial consortium including the most interested countries - China, Taiwan, Japan, Germany, Italy, Finland, Poland, and of course South Korea.¹⁴⁴ A related issue is the establishment of an alliance to operate the transcontinental transit corridor. This alliance should comprise Russia, the two Koreas, and perhaps also ESCATO and EU countries like Finland and Poland which, due to their geography, could serve as Europe’s northern and eastern inlets for the freight flow from Asia.¹⁴⁵

As for South Korea, its involvement with the project promises to yield it both significant gains and serious problems. This explains Seoul’s fairly cautious approach to the project.

On the whole, Seoul believes that South Korea’s participation in the project will raise the efficiency of its transit network and bring a number of additional benefits. Above all, the activation of the Trans –Korean railway would allow it to overcome both strategically and economically the current *de facto* isolation of South Korea and open

¹⁴⁴– “RZD is looking for partners. For Trans-Siberian and Trans-Korean Railroads Connection,” *PBK Daily* (30 March, 2007); “РЖД ищут партнеров. Для соединения Транссиба и Транскорейской магистрали,” *PBK Daily* (30 March, 2007).

¹⁴⁵– Alexander Vorontsov, “Would Trains Go from Pusan to Brest?” *New Markets*, No. 1 (Moscow, 2002), p. 30; А. Воронцов, “Пойдут ли поезда из Пусан а в Брест?” *НОВЫЕ РЫНКИ*, No 1 (Москва, 2002), с. 30.



opportunities for it to deliver freight to the mainland by land.¹⁴⁶ In this case Busan, Korea's largest port, which from the standpoint of location is a junction of marine and continental transit routes, could attract additional transit flows and become the main logistical hub of the Asia–Europe route, equal to Singapore, Hamburg, and Rotterdam.

Besides, Seoul hopes that in the long run transit via the Tans–Siberian Railroad will provide Korea with an alternative import avenue for hydrocarbon resources from Russia, either proceeding parallel to the construction of pipelines from Russia to Korea or even going ahead of that process. Nor is the Chinese aspect of the railroad project ignored in Korea: the availability of a high–capacity route with a branch to the west could make it possible to substantially build up the infrastructure needed to increase freight exchange between Korea and China. This exchange, currently worth \$150 billion annually, is being handled with increasing difficulty by marine carriers.

However significant Korea's potential economic gains associated with the project may be, Seoul's main interest lies in a different area. Influential circles in Korea hope that regardless of its route the construction of the Trans–Korean railway will energize cooperation between the two Koreas, stimulate greater openness of North Korean society, and help to get North Korea involved in regional integration. Based on this concept, Seoul generally supports Russia's proposal to form an international consortium to fund the project, since it would

¹⁴⁶– Markku Heiskanen, “Eurasian Railway-Key to the Korean Deadlock?” (22 January, 2003), <http://nautilus.org/fora/security/0232A_Heiskanen.html>.

be able to start construction on the North Korean segment of the railroad without delay upon resolution of all pertinent political and organizational issues. It is certainly expected in South Korea that state support for such a consortium would enable Seoul to play a role in defining the strategy of international transit across Russia.

It must be admitted, though, that despite its obvious interest in the project, South Korea remains rather passive on the more practical aspects and clearly seeks to shift the burden of coordinating the consortium's formation onto Russia. At first glance, this position can be explained by the concern that Seoul would have to assume the majority of the financial obligations related to the reconstruction of North Korea's railroad network if it takes a leadership role in the process.

At the same time, the possibility persists of a new crisis in relations between the two Koreas or aggravated tensions due to the confrontation between Pyongyang and Washington.

There are certain domestic problems in the ROK as well that could complicate the implementation of the project. If regular rail traffic between the Koreas were opened, it would still be technically difficult to organize large-scale freight transit via South Korea's network. The railroad network of Seoul and its suburbs was designed for passenger transit and is fully occupied by that traffic alone. In other words, Seoul's declared intention to organize freight flows from the south to the north is not backed by its existing railroad capacity or the availability of the necessary rolling stock (freight trains require diesel haulage).

The prevalent view among South Korean experts is that a major new railroad around Seoul, a number of additional lines passing through major train stations, and several high-capacity container terminals would be necessary to provide for intensive inter-Korean rail transit. At the moment these plans are purely hypothetical. No feasibility studies have been conducted, and even if construction begins in the nearest future it will take a long time to complete. South Korea is not particularly eager to proceed with the matter, indicating quite reasonably that such an extensive and costly project makes no sense unless guarantees of uninterrupted transcontinental transit solid enough to ensure returns on investments are given.

In the short term, South Korea is focusing on organizing railroad transit in the proximity of the Demilitarized Zone, pursuing local objectives such as facilitating economic interactions in the border region and arranging tours to North Korea. At the same time, South Korea has been readily discussing any prospective multilateral railroad projects while making no specific promises concerning its financial, organizational, or other roles in executing them.

A number of South Korean politicians, businessmen, and experts have espoused plans for parallel development of the western and the eastern routes. In line with this approach, South Korea will continue to study the Kyonguison option jointly with China and North Korea while also indicating that it is keenly interested in the eastern route and the related potential for cooperation with Russia.

At the October 2007 Summit in Pyongyang, Kim Jong Il and Roh Moo Hyun agreed to modernize the railroad segment between



Kaesong (North Korea) and the city of Sinuiju located at the Korean – Chinese border.¹⁴⁷ A month later, the PMs of the two countries signed a deal to conduct a technical study of that segment and to start its reconstruction as soon as possible in order to be able to carry South Korean visitors to the 2008 Olympic Games in China via that route.¹⁴⁸

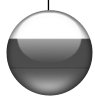
However, so far this ambitious plan has not been put into practice. The new administration of ROK President Lee Myung-Bak, inaugurated in February 2008, terminated or at least froze many inter – Korean projects, regarding them as too costly and economically ill – conceived. Notably, the reconstruction of the Trans – Korean Railway is not even mentioned in the plans for inter – Korean activities compiled by South Korea’s Unification Ministry. As is well known, after the “Cheonan” corvette incident in spring 2010, Seoul froze nearly all forms of cooperation with Pyongyang.

2. The Project Implementation Process

From 2001 – 2003, a Russian – Korean workgroup studied the North Korean segment of the eastern route of the Trans – Korean Railway extending from the Russian border to the Demilitarized Zone (960 km) in accordance with the agreement between the Russian

¹⁴⁷– “S. Korea, DPRK Sign Joint Declaration on Peace, Prosperity,” <http://news.xinhuanet.com/english/2007/10/04/content_6830163.htm>.

¹⁴⁸– “S. Korea, DPRK Agree to Operate Inter-Korean Railways during 2008 Olympics,” *China View* (10 April, 2007).



Transportation Ministry and the North Korean Railway Ministry and prepared documents specifying the parameters of the reconstruction of the railway as well as the related infrastructure, and issued a reconstruction proposal.¹⁴⁹

Preliminary estimates showed that the cost of reconstructing the segment would reach at least \$2.5–3.5 billion, plus the cost of solving the urgent energy supply and rolling stock deficiency problems, which would also be quite high. Naturally, the chances of this promising project being executed are slim, considering that no state funding is available for it and investors view it with great reservations.

Later on, without abandoning the “grand” railroad project altogether, Russia chose to reorient its efforts towards searching for less costly and more economically efficient local projects that could be of interest to foreign—especially South Korean—investors. Talks on pertinent issues, initially limited to discussions with North Korea, gradually evolved into a trilateral format which also incorporated the South Korean side. The first trilateral meeting took place in Moscow in April 2004.

In March 2006, talks were held between the railroad administrations of Russia, North Korea, and South Korea during which the overall state of the project was discussed and possible steps towards its implementation were specified. In particular, it was decided that the reconstruction of the Trans–Korean Railway would begin with a

¹⁴⁹ Vorontsov, “Would trains go from Pusan to Brest?” pp. 29–30.

pilot project to rebuild the 52 km segment from Khasan (Russia) to the North Korean port of Rajin.¹⁵⁰ An agreement was reached to regard the pilot project as the first phase of the “grand” project aimed at modernizing the Trans–Korean Railway.

Thus, in the initial phase, the plan was to upgrade the above railroad segment and to build a container terminal at Rajin port to process the freight flow from South Korean ports. Rajin was already being actively used to reload Soviet exports and imports in the early 1980s, and its potential is well–known in Russia. It is an ice–free harbor with the necessary infrastructure in place, initially intended to handle loading of “dirty” freight like aluminum, which is generally of little interest to Russian carriers. At present, the port is part of a free economic zone which provides certain security guarantees and benefits. The construction of a major intermodal complex with an initial capacity of 100,000 containers annually at the port and a broad–track (1,520 mm) railway to the border could simplify the task of redirecting freight flows from South Korea and other countries to the Trans–Siberian Railroad.

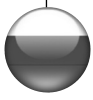
As the next step upon reaching the agreements at the above trilateral meeting, a delegation of the Russian state–run railroad company RZD, led by its President V. Yakunin, visited Pyongyang and Seoul in July 2006 to discuss the practical aspects of the

¹⁵⁰– “Russia and the ROK Railway Men Started Talks Regarding the Cargo Attracting at the Transsib,” *RIA Novosti Agency* (19 July, 2006); “Железнодорожники России и Республики Кореи начали переговоры по привлечению грузов на Транссиб,” *РИА Новости* (19 July, 2006).

implementation of the project and its funding. The Koreans confirmed their consent to the route and to the activity plan proposed by Russia, and they delegated to Russia the task of attracting investment and, if necessary, forming a consortium for that purpose.

Further, South Korean carriers indicated that they would be ready to provide the workload necessary for the efficient functioning of the project, and would consider investing in it. Another significant result of the tour was the agreement reached by the three sides on the route itself. It will pass from Busan port across the central freight-generating regions of South Korea and connect to the Dorasan-Demilitarized Zone-Kaesong segment of North Korea's railroad network, and then extend via Pongsan, Wonsan, and Rajin to the Tumangan-Khasan checkpoint. Naturally, the scheme was conceived as a demonstration of common intentions and a general guideline for the future rather than as a set of precise obligations, since there are no specifics on how or when the "grand" project is going to be implemented.

Despite the difficulties, these trilateral deals made it possible to proceed with practical efforts within the framework of the pilot project. Having no state funding and facing high costs, the project participants decided to establish a joint venture between Russia and North Korea - an inter-modal complex for container transit via the Khasan-Tumangan checkpoint to the Trans-Siberian Railroad. The main objectives of the venture are to attract investments in the construction of the container terminal, to reconstruct the 52 km railroad segment, to lure freight, and to operate the infrastructure in the future.



In addition to the organizational efforts related to the North Korean side of the project and the technical studies done at the Rajin railroad and port, the Russian state-run railroad company RZD discussed with South Korean carriers such issues as the possibility of investment in port and railroad infrastructure modernization, the allocation of freight traffic to the route, and the organization of the route via Busan, Rajin, and the Trans-Siberian Railroad, including a simplification of customs, tariffs, and border check-up formalities to make the operation more economically feasible.

After almost two years of multi-directional efforts, RZD President V. Yakunin and North Korean Minister of Railways Kim Yong Sam negotiated a cooperation agreement in Moscow in April, 2008. It defines key parameters of the pilot project of reconstructing the railroad and constructing the container terminal at Rajin port and stipulates that a joint venture is to be established by RZD Trading House (a subsidiary of RZD) and the administration of the North Korean port. The partners will own 70% and 30% of the joint venture respectively. As planned initially, the joint venture will attract investment and look for contractors.¹⁵¹

To bring in additional freight traffic and to facilitate border crossing, the partners will guarantee discount tariffs for transit across Russian territory and ensure higher efficiency of checkpoint operation by simplifying clearance procedures. A consultative council will coordinate the operation of the entire project.

¹⁵¹ <<http://www.cctst.msk.ru/index.news.24042008.html>>.

RZD has presented no information on the required investment or the timetable of the project, as the corresponding business plan is not yet complete. Tentatively, investment will be made both by RZD and by third-party investors. Experts estimate the cost of reconstructing the 52 km railroad segment at \$100–120 million, and the cost of building the port terminal at \$60 million. Besides, a total investment of approximately 7 billion rubles will probably be needed to upgrade the Khasan–Baranovsky–Ussuriysk railroad which serves as the link to the Trans–Siberian Railroad.

RZD forecasts that the volume of container traffic fed into the Trans–Siberian Railroad from the Rajin port at the initial phase of project operation will be relatively low - 55,000–80,000 containers of the 20-foot equivalent. Nevertheless, it is expected that as this operation proves more efficient than marine transit, the volume will rise to 200,000–400,000 containers annually.

No long-term plans have been made so far. The main question at the moment is how long it will take to translate the agreements already in place into practical activity, and particularly when the money for the project will be available. Experts anticipate that RZD will have to establish another joint venture - one involving South Korean companies capable of shouldering much of the project's financial burden and perhaps also providing the necessary equipment and construction materials - in order to see construction begin soon.



3. Risks and Prospects of the Project

Hosting a unique Asia–to–Europe transit corridor whose backbone is the Trans–Siberian Railroad would help Russia to gain greater influence over Eurasian transit flows, take a bigger role in the economy of Northeast Asia, and strengthen its political and economic presence in the region and on the Korean Peninsula in particular. Besides, the implementation of a “grand” project linking the Trans–Korean Railway to the Trans–Siberian Railroad would accelerate the modernization of Russia’s transit sector and upgrade the corresponding infrastructure, as well as stimulate an economic recovery in Siberia and the Far East.

Reconstructing a segment of North Korea’s railroad network and Rajin port, RZD joined this far–reaching and costly program. Though this activity is highly commendable, certain alarming circumstances must also be taken into account. Despite the signing of numerous protocols, declarations, and agreements over the past seven years since the start of discussions on the project, the construction of the Trans–Korean Railway remains an abstract idea which everyone acknowledges but nobody knows how to put into practice. Each partner has a separate vision of the project’s implementation.

Almost no feasibility studies or detailed calculations confirming the profitability of the project or even the possibility of its realization (given the current state of inter–Korean relations and the general military and political situation on the Korean Peninsula) have resulted from seven years of talks about the grand overland transit corridor.

To an extent, the same is true of the pilot project, which – despite its obvious strategic importance – is being implemented as one company’s private initiative, with no agreements between countries to stipulate the rights and responsibilities of the parties involved.

There is a general impression that the linking of the Trans–Korean Railway to the Trans–Siberian Railroad is a project being carried out by the RZD company as a clearly significant but isolated effort, loosely related to Russia’s overall transit policy and the federal program of developing the Trans–Baikal region and the Far East.

Moreover, the RZD company last month failed to receive the expected credit from the Russian Bank, which naturally complicated and slowed down its job. Nevertheless the company is committed to continuing the project on its own financial resources.

It is also clear that if inter–Korean relations improve again the Russia–Korean Peninsula Railroad Connection Project will also receive a second wind. So from our point of view, despite the current difficulties, the project’s prospects should be considered viable.



■ References ■

1. Articles

Markku, Heiskanen. “Eurasian Railway-Key to the Korean Deadlock?” *Nautilus*. 22 January, 2003.

Vorontsov, Alexander. “The Korean Peninsula Railroads. Trans-Korean Railroad, Transsib and Europe connection.” *Asia Railroads*. Moscow. 2004.

_____. “Would trains go from Pusan to Brest?” *New Markets*. No. 1, 2002.

2. News Articles, Electronic Resources, etc.

“Transsib as a Challenge for Marine Carriers of Cargo.” *Russia Railroad-Partner*. No. 5, 2002.

“South Korea is Going to Lay Three Branch Lines on the ‘Silk Road’.” *Rossiiskaya gazeta*. 30 September, 2008.

“S. Korea, DPRK Agree to Operate inter-Korean Railways During 2008 Olympics.” *China View*. 10 April, 2007.

“Russia and the ROK Railway men Started Talks Regarding the Cargo Attracting at the Transsib.” *Ria Novosti Agency*. 19 July, 2006.

China View.

PEK daily.

RIA Novosti Agency.

Rossiiskaya gazeta.

Russia-DPRK Moscow Declaration.

<<http://english1.peopledaily.com.cn>>.

<<http://nautilus.org>>.

<<http://www.cctst.msk.rul>>.

<<http://www.transsibcouncil.com>>.



VII. The Russian Position and Policies on the Tuman River Area Development Programme(TRADP)

Svetlana Suslina



1. Project Background

Russian seamen started exploring the Tuman river area in the mid 19th century. The Russian expedition of 1854 headed by Poutyatin explored the Sea of Japan's coastline from the Korean boundary up to the Horn of Gamov. The famous Russian novelist Ivan Goncharov's masterpiece "Fregat Pallada" is, perhaps, the first written description in Russian history of the Tuman River area. Reliable depictions of the upper reaches of Tuman River and the Chonji/Tianchi crater lake were done by the expeditions of Strelbitsky and Zvegintsev in the 1890s. They also explored the land and maritime communications route from the Russian southern frontier coastline to Port Arthur.

2. The Tuman River Project from the Northeastern Perspective

The end of the 20th century has been a time of intensive reshaping of the northeast region aimed at active integration among its major member – states: China, North Korea, Mongolia, the Republic of Korea, Russia and Japan. Cooperation among the above economies has been carried out in different formats, including local regional administrations, chambers of industry and commerce, international organizations' expert groups, etc.

Today Northeast Asia has proven to be one of the world's most rapidly developing and promising regions. Possessing qualified and less expensive human resources, the Northeast Asian member – states



have a huge potential for investment and job creation projects. On the other hand, Northeast Asia has currently accumulated numerous contradictions of different origins: political, ideological, cultural, religious, military, demographic, etc. The integration potential in the region is as high as the size of the economies of its member–states. However, there is a collision of interests among large players like China, Japan, Russia, the U.S.A. and South Korea. On top of this, North Korea has lately grown more active in articulating its military and political interests, constantly aggravating the tension on the Korean peninsula. Though NEA is far from becoming a homogeneous economic and political subregion, there are projects in which GTI member–states may be objectively very much interested.

Running along the frontiers of North Korea, China, and Russia, the Tuman River is a natural conduit of communication for the region, providing trans–Asian transport, trade and energy routes.

The Tuman region, rich in energy and mineral resources, can easily provide direct access to the enormous human resources of the rapidly developing markets of the 5 aforementioned economies and Japan. However, this potential can be fully realized only through infrastructural and energy projects. The integration process in the Tuman river region started in the early 1990s, when the states involved improved their relationships with each other and exposed their interests in mutual contacts and economic integration. The Tuman Project has been backed by the UN Development Program since its very beginning and was aimed at boosting the social progress of the adjoining regions by means of transnational investment in energy and

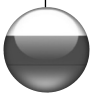
infrastructural projects.

An agreement between the 5 states of the region – Russia, China, North Korea, Mongolia, and South Korea – to set up a Consultative and Coordination Committee, as well as a Memorandum of Mutual Understanding with regards to the principles of environmental protection, was signed in 1995, shaping the legal background for multinational cooperation.

3. The Beginning of the Tuman River Project

The project was initiated in December 1995 at the UN headquarters in New York, when the representatives of the 5 concerned states – Russia, China, both Koreas, and Mongolia – signed a set of agreements entitled “On the Economic Development of the Tuman River Region.” The UN project was named “An Agreement on a Cooperative Program to Develop the Tumannaja River (Tumangan, Tumenjiang) Region” and covered the adjoining territories of North Korea, China and Russia, including part of the North Korean province of North Hamgyong, the Korean autonomous region of Jilin Province, and the southern part of Russia’s Primorski Krai from Lake Khasan to Port Vostochni.

The Tuman River Project is of great economic and geopolitical importance, focusing the economic interests of three states on a 60 km belt stretching from the Chinese town of Hunchun to the coast, including a 20 km area on either side of the river. China seems to



benefit most, as it gains an outlet from Hunchun to the maritime communication system of the northeast part of Jilin Province.

The project's aim is to create an international free economic zone of 10.000 sq km in the triangle between the port of Chongjin(North Korea), the town of Yanji(China), and the Russian city of Vladivostok. The project was set up to continue for 20 years from 1995, and has been granted an estimated 30 billion U.S. dollars in investment.¹⁵² The program for the Tuman River Project includes the following:

- Facilitating the economic development of the region by providing a coordinated strategy of industrial growth, transport infrastructure, trade and tourism.
- Setting up an institutional and legal background for the development of natural and human resources.
- Environmental protection.

To reach these goals, the member – states must channel their efforts to create favorable economic conditions to carry out the program, setting up institutional structures for coordination of economic, financial and other policies for facilitating its success. Member – states must agree to refrain from any unilateral actions that may hamper the program. The following is a summary of the basic stages of the project's history:

¹⁵²- "Financing closer economic ties in Northeast Asia: The case for a new financing facility," UNDP, 1999.

1st stage—1991—1996: Financial backing is initiated by UN Development Program for the “Program to Develop the Tuman River Region.” The Governmental Agreement on Cooperation in the Tuman region is signed by 5 member—states. The UN Secretariat moves from New York to Beijing in 1994.

2nd stage - 1997—2000: Work begins on the implementation of the agreements. Measures are taken to promote trade, investment, and ecological projects.

3rd stage—2001—2004: Research studies are conducted to work out means and instruments for regional integration in Northeast Asia. Details of the joint infrastructural projects are implemented.

4th stage—2005—2010: renovation of the legal background, consolidation of the institutional basis, expanding the geographical frames of the project, renaming the Program for a “Greater Tuman River Initiative(GTI).” Focusing the actual results in reaching the economic progress in the region.

4. GTI and its Activities

GTI is an intergovernmental agency set up for the economic cooperation of the regional member—states, and this feature makes it a unique phenomenon. Of the 6 aforementioned states, only Japan remains a non—member state, although it takes an active part as an



observer in the adopted actions and has full rights to join the team of member–states in the near future.

Since its foundation, GTI¹⁵³ has been an important platform for the multilateral economic integration of its member–states on a broad range of issues, promoting stable development, lasting peace and stability in the region.

GTI has achieved relatively good results in the implementation of the agreements signed by the governments of the member–states, especially in following up the policies for integration and consolidation of the business environment in the region.

The 8th GTI Consultative Committee Session (held in September 2005 in Changchun, China) adopted a member–states agreement to prolong the term of the basic GTI Foundation Agreement for another 10 years. The GTI summit also approved the so–called Changchun Agreements on such important issues as expanding the geographical format of the GTI, reframing the financial mechanism, focusing its activities on the actual projects, and raising investment in the region. It was decided to hold annual investment forums along with the Consultative Committee sessions. The aforementioned 8th Session also approved the Strategic Plan for 2006–2015 and defined 4 priority branches for cooperation - transport, energy, travel industry, investment, and ecology - as integral parts of all outlined directions.¹⁵⁴

¹⁵³– GTI holds regular meetings of the Business Consultative Council and Investment Forums(once every two years). GTI passed a special resolution to set up a Transport Council for officials of GTI member-states. GTI renders support for six transport projects.

¹⁵⁴– <<http://www.tumenprogramme.org>>.

All these arrangements were followed up on at the next session of the GTI Consultative Committee in November 2007 in Vladivostok, Russia. This meeting was followed by other GTI functions such as the 9th Session of the Consultative Committee, the Northeast Asian Business Partnership Forum, the Investment Forum, and the 1st Session of the newly founded Business Consultative Council. About 170 participants from 10 countries assembled there, including representatives of UNIDO, the International Travel Organization, the UN Development Program, etc.

The Consultative Committee member–states have agreed to work together on a number of infrastructural projects bearing the status of GTI projects and on setting up new GTI institutional bodies such as the Energy Council, the Travel Council, the Cooperation Mechanism for Environmental Protection, and the Business Consultative Council(BCC). The establishment a new structure with participation from more than 30 representatives of big businesses from Northeast Asia and other regions has demonstrated the common interests of governments and businesses in consolidating cooperation and raising additional investment in the region. The BCC’s prime objective is to attract new investment to the region, create clear regulations, and bring about a permanent dialogue format for governments and businesses to discuss major problems and important issues. The BCC holds its sessions twice a year. Immediately after the 8th Session of the Consultative Committee, Vladivostok hosted a Business Partnership and Investment Forum for Northeast Asia which attracted huge interest in the world business community. The forum discussed the integration process in the region



and some investment projects requiring coordinated efforts to achieve successful implementation. In view of its positive impact, it was decided to continue holding such forums annually.¹⁵⁵ In March 2009 Ulaanbaatar hosted another GTI meeting to discuss the issues of logistics and transportation in the Russian Promorski Krai, as well as integration into the NEA region. This meeting was of special importance in upgrading the GTI's status to the level of an international organization for integration and setting up a financial corporation within its framework.¹⁵⁶

5. The Present Stage of the Tuman Project

The 10th year anniversary of the Tuman Project was marked in October 2000, and in this connection some summaries and forecasts were made. Surprisingly for the sceptics, a substantial amount of progress and—more importantly—the creation of an optimal climate for further project development were noted. This project, sponsored by the UN Development Program and other donor organizations, was designed to promote economic cooperation between the 5 states of the region: China, Mongolia, both Koreas, and the Russian Federation. Now these states have already opened to each other their borders, which had been under a very strict control or closed for quite some

¹⁵⁵– Natalia Yacheistova, (dir.), GTI Secretariat, “Tumangan: In the Epicentre of Northeast Asia,” (internet version of the article published in *The Business World*, Russia-China, N1, 2008).

¹⁵⁶– <<http://www.dniimf.ru>>.

time. Much still remains to be done to liberalize the immigration regulations for all the member—states, but much have already been done. One important achievement was the foundation of the Association for Promotion of Foreign Businesses in 1998 with its head office in Beijing. This association was set up to represent the interests of all the member—states in the Rajin—Sonbon Trade and Economic Zone and in North Korea in general.

During the first decade of the GTI Project’s implementation there have been promising changes in the development of the zonal telecom infrastructure. Another remarkable development was the cooperation between China Telecom and NEA&T in laying down the fiber—optic telecom line for the Rajin—Sonbon free trade zone and Jianban Province in China.

As far as investment in the Tuman River zone is concerned, one has to take into account a number of factors which essentially affect the process of carrying out the project. First of all, serious damage was caused by the disintegration of the USSR and the collapse of the Council for Economic Cooperation. Secondly, the Asian and Russian crises of 1997 and 1998 had an adverse impact on the region’s economies. These factors have negatively affected the timetable of the project. Thus, the total amount of foreign investment by the end of 1999 was USD 1.35 billion, and most of this investment was implemented in the Chinese province of Jianban and Russian Primorski Krai, whose share in the above amount was up to USD 1 billion, while Mongolia was granted USD 284 million, and Rajin—Sonbon only USD 88 million. The distribution of the objects for



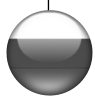
investment was as follows: Russian Primorski Krai—1232, Mongolia - 1016, Jianban Province - 680, Rajin—Sonbon - 113.¹⁵⁷ In addition, the allocation of investment for Jianban province was directed largely to the raw manufacturing, light and travel industries; in Mongolia to the mining industry; in Rajin—Sonbon to the travel, telecom and transport industries; and in Russia to raw processing, travel and trade.

A certain amount of progress has been reached in foreign trade relations between the Tuman project member—states: the 1999 figures show exports of USD 2.23 billion and imports of USD 1.91 billion.

Modernization of the transport infrastructure is a key factor in streamlining trade and economic cooperation in the region. A certain amount of progress has been reached here as well. China has been investing more than USD 1 billion in the construction of highways from Hunchun to Hanchun and up to the Russian and North Korean borders. In April 2000 a new transport line was established between Sokcho (South Korea) - Hunchun (China) - and Zarubino (Russia). Russia expects growth in the flow of incoming tourists to accelerate the construction of sea ports in Posjeta and Zarubino.

In June 2000 Niigata (Japan) hosted the 2nd General Meeting of the Organizing Committee for the Economic Conference of Northeast Asian Nations. A transport sub—committee was set up to focus on the logistics and infrastructure for optimizing trade and cargo flows along the transport routes throughout the region, including the

¹⁵⁷— “Tumangan: A long-term Political and Economic Project for Northeast Asia,” *Institute for Far Eastern Studies* (Moscow: Russian Academy of Science, 2002), p. 41.



Siberian Land Bridge, the Vanino – Taishtet route, the route connecting Heilongjiang Province to the sea ports of the Russian Primorski Krai, the route connecting Jilin province to the port on the Tuman River, etc.

The Tuman transport corridor, a long – cherished dream for connecting the faraway regions of Northeast Asia with foreign states, is still far from completion. While China proceeded with plans to build a modern 4 – lane highway through this corridor, Russia and North Korea were still making efforts to adjust to the requirements of their growing cargo flows through to the ports of China. The challenge of gaining access to high technologies became more and more acute.

There was a certain amount of growth in frontier and transit trade, and new maritime transport routes were opening. After a historic breakthrough in North – South Korean dialogue in 2000 – 2007, there has been a positive trend to connect North and South Korea by integrated railway and highway routes, though the later cooling of inter – Korean dialogue has hampered this mutually beneficial project.

10 years ago, investment in the Tuman River economic zone amounted to an insignificant figure. Now direct investment from South Korea, Japan, Thailand, the U.S.A., etc. has grown to a total of USD 1.3 billion,¹⁵⁸ while experts have evaluated the first 10 – year investment plan at up to USD 40 billion. UN specialists expect the GTI to become one of the most outstanding international projects of the 21st century in terms of its economic and political impact on the Asia –

¹⁵⁸ – “Financing closer economic ties in Northeast Asia: The case for a new financing facility,” UNDP, 1999.

Pacific economies.¹⁵⁹

Further, while it was a low profile project a decade ago, the Tuman River Project today has become a widely recognized pilot site for economic cooperation in Northeast Asia. Based on a solid institutional background for promoting mutually beneficial projects, it has good prospects for accelerating the whole process due to the improved geopolitical and economic situation in the region. On top to this, the project will contribute to an increased tourist flow while bringing about a better understanding and resolution of environmental problems. This particular domain has attracted USD 5 million for a project sponsored by the Global Environment Facility.

Several factors are increasing the possibility of accelerating the project:

- Summit meetings of the two Korean states in 2000 and 2007;
- A gradual opening of North Korea to the world, in particular the establishment of diplomatic relations between North Korea and a number of states in Western Europe and other parts of the world;
- Russian President Putin's visit to North Korea in 1999, which added impulse to economic cooperation and security on the Korean peninsula;
- North Korea's admittance to the ASEAN Regional Forum;
- European corporations' desire to invest in North Korea's

¹⁵⁹– *Kommersant* (16 December, 1992).

manufacturing industry;

- Japan's desire to establish peace in Northeast Asia via diplomatic channels, particularly by maintaining the dialogue between the U.S. and North Korea on a peace treaty and other issues relating to bilateral and international matters;
- The increased cooperation between Japan and South Korea;
- The increased cooperation between South Korea and China.

On the other hand, we have to admit that in the latter part of the first decade of the 21st century, this positive trend has been replaced by negative tendencies in the world economy and the policies of the member-states, namely the world financial and economic crises which have impacted most of their economies and curbed their financial resources.

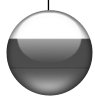
Further, the GTI, like any other multinational project, could not be positively affected by such developments as North Korea's new round of nuclear tests, the termination of Six Party negotiations to guarantee stability on the Korean peninsula, and the deterioration of North-South Korean relations.

The concept of the project has also been altered substantially, shrinking from a Greater Tuman Economic Development Zone down to a Minor Tuman River Economic Zone, and further to a Northeast Asia Regional Development Area. Later the concept was downgraded from an ambitious "local Hong Kong" with a USD 30 billion budget for infrastructural development of areas leased by Russia and both Koreas, down to a less ambitious local investment project.



That is why, in summarizing 20 years of the project, I have to admit with regret that this once—promising project has long been frozen. The actual implementation of the project has virtually not even begun thus far. We have to state clearly that up to now there have been only separate projects for local territorial development, not an integral zone with a joint plan for international management of the united project. This was due to the different economic “weights” of the countries involved and their unbalanced interests. Another reason was that the project involved only small and distant territories of such huge countries like China and Russia. To date, only a small side project - a transnational transport corridor through Mongolia, China, and Russia, with the prospect of building a port on the Sea of Japan with an annual capacity of 100 million tons - has been actually carried out. This corridor starts at the village of Eastern Gobi in Mongolia, crosses the Inner Mongolian Autonomous Region of China and Jilin province, and terminates on the shore of the Sea of Japan at the southern end of Russia’s Primorski Krai in the Tuman River valley.

In fact, the Russian Railways Joint Stock Company in April 2008 decided to revive the project when an agreement with North Korea was reached to start building a container sea terminal in Rajin with annual turnover of TEU 200,000. In line with the agreement, in 2008 Russia undertook a complete project feasibility study for reconstruction of a 55 km long part of the railway connecting Tumangan—Rajin (North Korea). Exploration work in this region was carried out in 2001—2003, as well as along the entire North Korean railway line. The potential integration of the Trans—Siberian and Trans—Korean



railways opens up possibilities for direct communications between Seoul, Pyongyang and Moscow.

Another promising project is the integration of the Trans–Siberian and Trans–Korean railways via Khasan station on the Russian border. This project is being carried out in line with an agreement signed by the heads of the two states and the railway authorities of North Korea and Russia in April 2008. The project envisages the reconstruction of a 54 km long section of railway connecting Khasan station and Rajin terminal, with further operation down the line. To carry out this project, a joint managing company named Rasonkontrans was set up in the summer of 2008. The Russian part of this project is represented by RZhD Trading House Joint Stock Company, the North Korean part by Rajin Sea Terminal, registered as part of North Korea’s Rason Free Economic Zone. Now, after finalizing all the formalities, the construction material and equipment are being brought into North Korea to reconstruct this part of a railway. This part of the project has to be completed by October 31st, 2010.¹⁶⁰

The Trans–Korean railway shall service cargo flows between Russia, both Koreas, and China, as well as transit cargo from and to European countries and the Asia–Pacific region. A portion of the container cargo received at Busan Sea Terminal may be added to this railway route. A proposed Hunchun–Khasan–Tumangan–Rajin communication line with further destinations in other Asia–Pacific

¹⁶⁰– “Some Problems of Russian-Chinese Border Demarkation, 1991–1997,” *Articles and Documents* (Vladivostok, 1997).

countries may be used as an alternative route for transporting goods.

Another joint venture is to be set up in the North Korean special economic zone of Rason, with a long term lease of land and infrastructure to carry out the project.

All these important ventures are to be implemented by the GTI, due to its high international status as an intergovernmental instrument for regional development.

6. Russia and Other GTI Member–States

Russia's attitude towards the Tuman River Project has been adjusted in line with its national interests, and its cooperation with other member–states has been balanced and pragmatic. Initially the Russian government espoused full support for the project; however, later its interest declined. Conceptual discussions commenced in the 90s and are still under way. Many Russian economists believed that the project would damage the national interests of Russia as it was dominated by Chinese interests which focused on the promotion of the Chinese Northeast and ran contrary to Russian interests in maritime sea ports and the Trans–Siberian and Baikal–Amur railway lines.¹⁶¹ It was believed that the Tuman Project could hamper another project, “Greater Vladivostok.” This is why that city showed a very little interest in the project.¹⁶²

¹⁶¹– “Problems of demarcating the Russian-Chinese Border: 1991–1997.”

¹⁶²– *Kommersant* (16 December, 1992).

7. China and the GTI

China has put forward a number of options for its participation in the Tuman Free Economic Zone Project.

In 1995–1998 the Chinese party offered to introduce free navigation on the Tuman River down to Hunchun with its projected internal sea port. However, this project appeared to be unfeasible due to the technical complications involved in deepening the shallow and winding course of the Tuman River, as well as the intersection of the navigated fairway and Khasan–Tuman–Ula point. Thus, the project to build an internal sea port at Hunchun was rejected in 1998.¹⁶³

The next Chinese proposal was to involve Russia in constructing a Hunchun–Zaroubino railway with a rail width of 1435 mm, with plans to lease the Zaroubino Sea Port upon its complete reconstruction. Russia took a very cautious position in the Tuman River Project, advocating non–active integration with the adjoining states. Russia rejected any initiative that might infringe on its territorial integrity or sovereignty, or cause it to lose control over projects inside Russian territory. This is why a very beneficial Chinese proposal was not accepted. Russian Railways, a major agent in the project, actually views its participation within the transport corridor only.

It was a matter of intense discussion as to which sea terminals should be engaged in the project: Russian(Posjet and Zaroubino), or North Korean(Rajin). Finally, Russian Railroads made its choice in

¹⁶³ <<http://www.imb.dvo.ru>>.



favor of Rajin – the biggest North Korean port in the region, bigger than all Russian local terminals taken together, with a loading berth of 2510 m length and a capacity to handle ships of 30,000 tons deadweight.

Meanwhile cargoes from China are excluded from the above project, but most likely they will be handled soon either via the Tuman – Rajin line, via railway delivery, via the Hunchun border crossing, or via Land Corridor Primorje – 2, run by Russia’s regional administration.

Perhaps a more or less successful development of Rajin port’s transit operations may contribute to other parts of the Tuman project.¹⁶⁴ This may be a last attempt to catch up with a departing train, as the agreement on the Tuman Free Economic Zone is due to expire in 2015. Should Rajin fail to become a trans – shipment point, it is quite unlikely that the agreement will be extended or re – signed, due to its vague prospects.

8. The Tuman River Project and South Korea

According to South Korea, the success of the project largely depends on the quality of cooperation among all the parties concerned with regards to effective management and finding a proper direction for

¹⁶⁴– “D.P.R. Korea’s Rajin-Sonbong Economic & Trade Zone: Investment & Business Guide: Golden Triangle: Rajin-Sonbong,” The Committee for the Promotion of External Economic Cooperation of the DPRK, *Collection of laws & regulations* (Juche 88, 1999).

regional cooperation.

The South Korean government has always been one of the most consistent supporters of the project. It allocated USD 2 million to the special trust fund under the control of the UN Development Program. The importance of this fund is based on its function to render assistance to the project's investors. On top to this, South Korea took a very active part in the 1990s when the parties were discussing the issues of open frontiers, expanded trade links, travel activities, etc. Though South Korea is not directly involved into the Tuman area like the other four partners in the project (Rajin–Sonbong in North Korea, eastern Mongolia, and the Russian maritime district of Primorski Krai), it had constantly contributed to more open cooperation.

South Korea hosted a number of GTI meetings in Busan, South Korea, from June 23–25, 2010: expert seminars, nominations of ad–hoc groups for GTI transport issues, a study tour to the Busan Sea Terminal, etc. The above seminar, organized by the Busan Institute for Development, discussed the GTI transport projects: the actual state of affairs, project prospects, suggestions by member–states on issues of cooperation, transport corridor development, and measures to simplify logistical procedures for joint transport projects.

A special priority transport program was adopted, including new projects for 2010–2012 such as:

- An integrated study plan to promote trade and transport within NEA, including the Primorje 1 and Promorje 2 projects;
- A test plan for transport corridor transportation;



- Officials training sessions to discuss coordination on transnational logistics;

A special GTI format for integrating Japan was approved as a non governmental work platform.

9. The Tuman Project and North Korea

In December 2009 North Korea unexpectedly resumed its participation in the Tuman Project after abandoning it in November 2008.¹⁶⁵ According to Yonhap News Agency, control over the project was given to the North Korean State Bank for Development, established in March 2010. It was planned that 70 percent of its USD 10 billion chartered capital should be managed by the state. The remaining 30 percent was to be allocated to foreign investors via the *Tepkhun* company. This news has largely dispelled the rumors of USD 10 billion being allocated by Beijing for North Korea as economic aid. Foreign analysts tended to treat North Korea's return to the project and its intention to invest billions of dollars in its implementation as a possible scheme to obtain Chinese economic aid in return for its willingness to resume the negotiation process.

What is important to emphasize in this connection is that the Tuman project sponsored by the UN Development Program and bearing high international status is not subject to sanctions introduced by the UN against North Korea after its nuclear test in May 2009.

¹⁶⁵– <www.Tumangan.ru>.

However, according to a Japanese media report on March 14, 2010, North Korea abandoned the Tuman project in which it had participated since 1995. The reason for this is still unclear. Diplomatic sources cite possible resentment against the UN's policy and its recent resolution in response to North Korea's launch of a long range ballistic missile and second nuclear test. Another possible reason is North Korea's dissatisfaction with economic returns from the project and the inadequate amount of investment raised to develop Rajin Terminal. One more reason for North Korea's withdrawal may be its desire to remain isolated in order to reduce ideological influence from outside.

10. Some Conclusions

Even from the most sceptical perspective, the project cannot be viewed in any other way than as a potentially positive development for all its member – states. The global integration process makes such a grouping objectively unavoidable. The Tuman initiative retains its urgency due to the processes already underway for regionalization and institutionalization in Northeast Asia.

I have to admit that the problems facing the Tumangan project originate from the contradictory political interests of some member – states, rather than due to the cost efficiency of the project.

The Tuman experiment lacks dynamism as it tests its member – states' potential to survive and to co – exist with market and state – planned economies of different scales and models. There is also the issue of who is the “leader” of this grouping.



On the other hand, Northeast Asia is taking shape as a famous site for global events like the Summer Olympics in Beijing, the World Expo in Shanghai, the G8 summit in Japan, and the upcoming APEC Summit in Vladivostok.

Now that the Russian government has a clearer and more defined policy towards its Far East and Eastern Siberia regions, Russia's participation in the Tuman Project may be more useful in terms of bringing in foreign investment and innovative scientific–technological cooperation.

The growing economies in the Asia–Pacific region require more electric power, oil and gas supplies, while the import demands of China, South Korea, and North Korea differ. Currently Russia is building a huge infrastructure for gas and oil exports; its most highly profiled project, the “Eastern Siberia–Pacific Ocean” oil pipeline, has recently linked up with Skovorodino, Russia's terminal point on its Pacific coast.

Much needs to be done in the transport domain, as well as the areas of foreign trade and industrial integration. All this will motivate member–states to build up an integral transport and logistic infrastructure, due to its current inadequate state in the areas concerned.

At present, the Northeast Asian integration process continues at a slower pace; however the mutual benefits for the region remain obvious. There is still tremendous potential. The industrial development of the respective member–countries and their relative economic powers in the region differ greatly. The obvious vertical labor division can be beneficial

by regulating the structure of industry and relocation opportunities. This might boost the general progress of the regional economies. The obvious mutually complementary nature of the economies creates a background for cooperation among all states in technology, capital, energy and mineral resources, human potential, heavy industry, agriculture, and light industry. On top of this, the Tuman River region as the center of economic ties among the Northeast Asian states, may evolve into a trade and manufacturing center.

Russia, with its huge natural resources, attaches special importance to East Asia. This resource potential provides a background for Russia's expansion into the region and a boost for economic growth in the Siberian and Far East regions. At present Russia in general and its Far Eastern regions are focusing their economic initiatives on finding foreign partners for building transport corridors, exporting resources (oil, gas, timber, fish, etc.), and drawing Russian and foreign investment to high technology industries.

From many points of view, the Tuman River Project combines Russia's interest in external cooperation with the interests of other neighbouring states. It may be high time to rethink the attitudes toward this project by changing its format, basically bilateral at present, into a truly integrated, multilateral partnership.



■ References ■

1. Books

Torkunov, A. V. (ed.). *Energetic Dimensions of International Relations and Security in East Asia*. Moscow: MGIMO, 2007.

2. Articles

Yacheistova, Natalia. “Tumangan: In the Epicentre of Northeast Asia.” (online version of article published in *The Business World*, Russia-China, N1, 2008).

3. News Articles, Electronic Resources, etc.

Luzyanin, S. G. East Policy of Vladimir Putin. Russian’s Return to ‘The Great East’(2004–2008). Moscow, 2007.

Zabrovskaya, L. V. “DPRK in the Era of Globalization.” Vladivostok, 2006.

“D.P.R. Korea’s Rajin-Sonbong Economic & Trade Zone: Investment & Business Guide: Golden Triangle: Rajin-Sonbong.” The Committee for the Promotion of External Economic Cooperation of the DPRK. *Collection of Laws & Regulations*. 1999.

“Financing Closer Economic Ties in Northeast Asia: The Case for a New Financing Facility.” UNDP, 1999.

“Some problems of Russian-Chinese Border Demarcation, 1991 – 1997.”

Articles and Documents, 1997.

“The Korean Peninsula: Time of New Challenges.” Papers presented at the 13th Academic Conference of Russia and CIS’ Koreanists. Moscow, 30 – 31 March, 2009.

“Tumangan: A Long-Term Political and Economic Project for North East Asia.” *Institute for Far Eastern Studies*. Moscow: Russian Academy of Science, 2002.

KOMMersant.

Tumen Update.

<<http://www.dniimf.ru>>.

<<http://www.tumenprogramme.org>>.

<<http://www.imb.dvo.ru>>.



VIII. Russia's Strategy Toward the Arctic

Seok Hwan Kim



1. What the Arctic and Arctic Ocean Regions Mean for Russia

In recent times Russia has taken a strategy of enhancing its presence in the Arctic and Arctic Ocean areas. This strategy has appeared in regard to all areas of land, sea and air, and involves not only economic but also scientific and military dimensions. What Russia hopes to gain from this strategy is clear. Russia seeks to establish its rights to the increasingly important Arctic region, while maximizing Russia's national interests amid a changing environment. Currently there are two major effects of climate change which are impacting the Arctic region. The first is the significant expansion of economic and commercial possibilities in the Arctic as a result of global warming and new developments in deep-sea exploration technology. These changes have increased the possibilities for commercial mining and use of the vast natural gas and oil reserves buried above the Arctic Circle along with other mineral resources. Another aspect is of course the gradual shortening of the ice-bound period of the Northeast Sea Route (under Russian jurisdiction) and the Northwest Sea Route (under Canadian jurisdiction) as part of the effects of climate change, signaling new distribution possibilities which could bring about major changes for global economics and military strategies. These changes call for new strategic consideration by the 8 member states of the Arctic Council¹⁶⁶ (the countries

¹⁶⁶ The 8 members of the Arctic Council include Russia, Norway, Denmark (Greenland), Canada, the U.S., Sweden, Finland, and Iceland. These countries all



bordering the Arctic), as well as other countries which have expressed a strategic interest in the Arctic including China, the EU, South Korea, and Japan. Particularly Russia, which was first to develop and utilize the Arctic from a strategic viewpoint, will need to give the issue serious reconsideration.

As over one-third of its territory borders the Arctic, more than ever Russia needs to formulate a comprehensive policy considering ways to protect its own current and future security/diplomatic interests in connection with the need to revitalize economic activities in the region and the response strategies of other countries, as it responds to the geographic and environmental changes. Actually, as President Dmitry Medvedev made clear at the Russian Security Council in September 2008, the Arctic region is already an important source of Russia's national wealth. Russia already generates 20% of its GDP and 22% of its foreign exports from the Arctic region.¹⁶⁷ Thus in the eyes of the Russian leadership, Russia's national interests in the Arctic region include economic, political, military, and psychological elements. This complex conception of the Arctic has existed since the time of the czars and remains unchanged to this day.¹⁶⁸

border on the Arctic region, and while there are some territorial disputes amongst them, they have a common tendency to shun intervention by other countries in order to resolve conflicts over the Arctic. At the May 2008 conference of 5 Arctic coast nations held at Ilulissat, Greenland, this attitude was made clear. At the time, the Arctic Council members who were not members of the Arctic 5 – Sweden, Finland, and Iceland – were not invited. Further, the Ilulissat Declaration specified “We do not feel the need to create a comprehensive new international legal structure for the Arctic Ocean.”

¹⁶⁷– <http://archive.kremlin.ru/eng/text/speeches/2008/09/17/1945_type82912type82913_206564.shtml>.



The text which gives the most consolidated overview in principle of Russia's current Arctic strategy is "Basics of the Russian Federation's Arctic Policy to 2020 and beyond," (Основы государственной политики Российской Федерации в Арктике на период до 2020 года и дальнейшую перспективу) published in September 2008. Also, "National Security Strategy 2020" naturally makes references to the Arctic. The Arctic strategy of the Russian leadership laid out in these volumes can be summarized as: more efficient use and possession of the vast undeveloped resources in this region, more balanced development of this region which constitutes a significant portion of Russia's national wealth, more definite security guarantees as well as expanded commercial use of the increasingly important Arctic Sea Route (which Russia claims is mainly the Northeast Sea Route),¹⁶⁹ and stronger military strategic security measures to protect

¹⁶⁸– Even in the time of the czars, Russia did not view the Arctic in purely scientific and economic terms. They also saw it from the military/distribution perspective as a secure trade route free from interference by England and the West, and after the Bolshevik revolution of course the Soviet survival strategy depended on security inland sea areas that were not vulnerable to attack by counter-revolutionary forces. During the Cold War the Arctic continuously preoccupied Soviet leaders, who felt the need to develop an optimal route for attack against the main U.S. and NATO forces.

¹⁶⁹– The Arctic Sea Routes are broadly divided into the Northeast and Northwest Sea Routes. Canada claims jurisdiction over the Northwest Sea Route, which leads from the Bering Sea through the northern islands of Canada to the Pacific. The Northeast Sea Route (what Russia terms the Northern Sea Route) runs along the Arctic Ocean coast from the Pacific to the Atlantic, connecting the area from the Bering Sea to Murmansk. Also known as the Arctic Sea Route, Russia claims jurisdiction over this route. However, legally the Northeast Passage is distinct from the Arctic Sea Route. This route passes through the Russian Arctic Ocean and various small seas in the region, and falls under international law. However in general Russia's Arctic Sea Route is referred to as the Northeast Passage. "The

the national interests represented by the above.

Russia has recently become quite active in working to achieve these objectives. On the economic front Russia has taken direct actions, including attracting foreign investment and technology transfers, in order to support its efforts to develop its oil fields along the Arctic coast such as consideration of budget allocations for Arctic development and developing the Stockman deep-sea oil fields. On the military/diplomatic front, Russia has launched repeated endeavors to achieve border demarcation line agreements with neighboring countries such as Norway, while cooperation in the ratification of the United Nations Convention on the Law of the Sea (UNCLOS) and acknowledging other territorial rights laws based on this convention. Furthermore they have been establishing military units and strengthening training in order to respond to any military security threats in the Arctic region. They have also mobilized scientific surveys and psychological tactics such as the planting of a Russian flag on Lomonosov Ridge in the Arctic seabed on August 2nd, 2007.

2. Russia's Historic Interest in the Arctic Region

Russia's interest in the Arctic region is not a recent development. Russian involvement in this region dates back to the time of the czars. In 1525 the interpreter and diplomat Dmitry Gerasimov first put forth

Northern Mariner/Le Marin du Nord," *The Canadian Nautical Research Society*, Vol. 3, No. 2 (April 1993), pp. 1–17, <http://www.cnrs-scrn.org/northern_mariner/vol03/tnm_3_2_1-17.pdf>.



the idea of opening the Northeast Sea Route - an idea which has garnered much attention recently - and this sea route has been used for hunting and trade by both the Pomor (a people native to the Arctic) and the Cossacks (Kazak in Russian). The most representative example of exploration conducted by the czars was the expedition ordered by Czar Peter I and led by the Danish explorer Bering to the Kamchatka region, which among other things discovered what is known today as the Bering Strait. Later on the leaders of the Russian empire came to hold an increasing interest in the Arctic region, and in the early 1900s they made more direct efforts to open an Arctic sea route, commissioning two icebreakers to explore the Bering Sea and the Yenisey area and conduct scientific observations. This was a great help to Soviet explorers in opening the completed sea route in the 1930s.¹⁷⁰

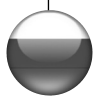
After the Bolshevik revolution, the Soviet leadership also dedicated much effort to the Arctic region and a route through the Arctic Sea. These efforts were connected to the Soviet leadership's regime survival strategy. At the time, the Soviets had just achieved the first communist revolution, and in the confrontation with counter-revolutionary forces and foreign powers they felt a keen need to secure a safe sea passage. For this reason they searched for a route that would allow them to ship goods without foreign intervention or interference by naval powers like England. As a result the Arctic

¹⁷⁰- William Barr, "A Tsarist Attempt at Opening the Northern Sea Route: The Arctic Ocean Hydrographic Expedition, 1910 - 1915," *EPIC* (1975), <epic.awi.de/Publications/Polarforsch1975_1_6.pdf>.

Ocean gained renewed attention. The Soviet authorities wanted to use the Arctic Ocean and the Arctic region just as they used their inland seas. For this reason the Soviet leadership dedicated vast resources to dispatching expeditions to the Arctic. In 1932 a team led by the legendary Soviet explorer Professor Otto Yulievich Schmidt led the first expedition without icebreakers ever to journey from the city of Arkhangelsk (Archangel) to the Bering Sea, successfully completing the Arctic Sea Route. Subsequently, after several test shipments, in 1935 the Soviet Union formally announced the opening of the Arctic Sea Route (known today as the Northwest Sea Route), and from 1936 a segment of the Baltic fleet began conducting exercises to assess the possible military uses of this route, which continue to this day. The Soviets even used the Arctic route as one of their attack routes when they entered the fighting at the end of World War II.

Thus the Arctic region has captured the interest of Russia's highest rulers from the time of the czars through the Soviet period and on into the present. The high leadership of the country continued to express interest - both the czars in the imperial period, as well as Lenin, Stalin, Bulgarin, and Gorbachev in the Soviet period. The area became less of a priority for a time after the dissolution of the Soviet Union, but with the rise of Vladimir Putin it was restored to its place on the leadership's top agenda; the "National Security Strategy 2020" and other strategy documents by the National Security Council state that "The Arctic region is vital to the protection of Russia's national interests."¹⁷¹

There are various reasons behind Russia's special interest in the



Arctic, but most significant is the fact that over one-third of Russian territory lies north of the Arctic Circle and vast resources and sources of wealth are located in the region, as can be seen from Figure VIII-1. As President Medvedev stated to the Russian Security Council in September 2008, the Arctic region has already become a major source of Russia's national wealth. As mentioned earlier, about 20% of Russia's GDP and 22% of its foreign exports come from this region.¹⁷² These figures are expected to gradually increase as the global warming trend progresses. According to the U.S. Geological Survey, it is estimated that 13% of the world's undiscovered oil resources, 30% of natural gas, 20% of liquid natural gas lie buried in the Arctic region.¹⁷³ Furthermore, 9 of the 10 large-scale oil fields and 44 of the 50 gas fields in the Arctic lie within Russian territory. That is why Russia was the first of the world's nations to express an interest in the Arctic on the national level, and why they are the nation with the most concrete plans for it on their national agenda today.

Russia dispatched its fleet in 1910 to explore the Northern Sea Route (now the Northeast Sea Route) and to map the area, and in 1916 the

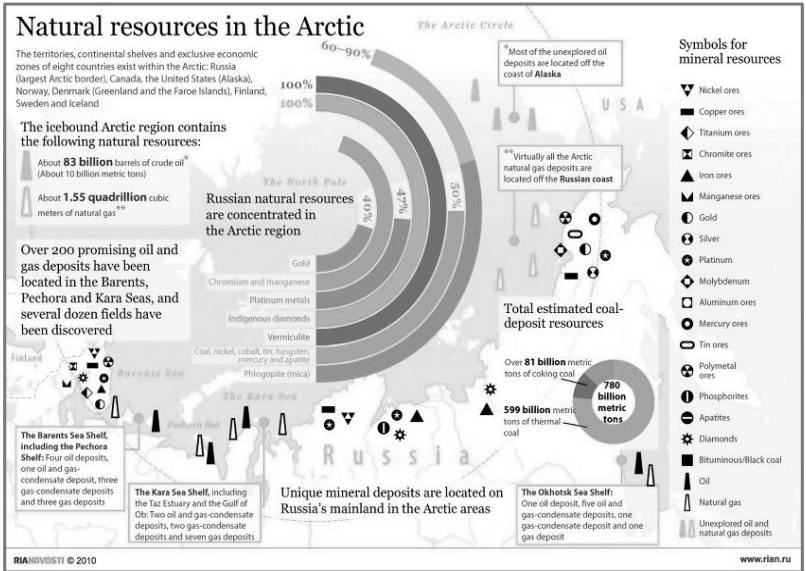
¹⁷¹– Russia's strategy regarding the Arctic is explained in detail in "Russia's National Security Strategy until 2020 (Стратегия национальной безопасности Российской Федерации до 2020 года)," <<http://www.scrf.gov.ru/documents/1/99.html>>. See also "Basics of the Russian Federation's Arctic Policy to 2020 and beyond (Основы государственной политики Российской Федерации в Арктике на период до 2020 года и дальнейшую перспективу)," <<http://www.scrf.gov.ru/documents/98.html>>.

¹⁷²– <http://archive.kremlin.ru/eng/text/speeches/2008/09/17/1945_type82912type82913_206564.shtml>.

¹⁷³– Jackie Grom, "Arctic May Boost Oil and Gas Reserves," *Science NOW* (28 May, 2009), <<http://news.sciencemag.org/sciencenow/2009/05/28-02.html>>.

country declared its sovereign rights to the oceanic territory of the Arctic Ocean.

Figure VIII-1 Natural Resources in Russia's Arctic Coast Regions



source: *Ria Navostl.*

In April 1926 Russia again declared the area encompassing the Bering Strait and bordered by the North Pole as Russian territory, and it frequently dispatched expeditions led by heroic figures such as Otto Schmidt and Ivan Papanin. Schmidt conquered the Franz Josef Land in 1929 and in the winter of 1934 the ship Chelyuskin became icebound off the east coast of Wrangel Island but was able to last for 2 months, inspiring wild enthusiasm from the Soviet people. From 1937–1938 Ivan Papanin led three other researchers on the

now – legendary Arctic expedition North Pole – 1, which spent 234 days performing detailed observations in the Arctic region. The North Pole – 1 station was built on shifting ice, and the Soviet Union subsequently constructed dozens of similar moving stations for scientific exploration. In August 2007 the Russian Duma representative and special envoy on Arctic issues Artur Chilingarov led an expedition of scientists and military personnel to plant a Russian flag made of titanium on the Lomonosov Ridge on the Arctic seafloor. Russia’s leaders pursued these activities as symbols of national pride and scientific progress as well as a way of showing off their national power, and in the future they are likely to make even more frequent use of the region as a scientific and foreign policy symbol.

Along with these scientific explorations the Soviets also made various peace offensives in order to protect against military threats to the Arctic region. An example is the declaration of Northern Europe as “a region free of atomic and hydrogen weapons” made in 1958 by then – Prime Minister Nikolai Bulgarin and the Murmansk Initiative made in 1987 by Mikhail Gorbachev, then the General Secretary of the Soviet Communist Party. The Murmansk Initiative contained 6 major declarations including a call to make the Arctic into a “peace zone”; Gorbachev’s initiative gained the support of Finland and later developed into the Arctic Environmental Protection Strategy (AEPS). Subsequently in 1996 the AEPS developed into the Arctic Council.

During the Cold War the Soviet Union had unrivaled independent use of both the Arctic Ocean and the inland sea areas. In 1987 6.6



million tons of freight was transported along this route. As mentioned above, Mikhail Gorbachev proposed the new Murmansk Initiative regarding this sea. This declared that the Soviet Union would open the Arctic Sea Route (the Northeast Sea Route) to shipping by Western countries and would provide Soviet ice breakers for their convenience. However they were careful to include a clause specifying that warships would not be allowed to pass through the International Straits.

In the confusion of the Soviet Union's collapse as the Russian leadership had to put off establishing its general security and development strategies, interest in the Arctic region went through a temporary lull, but it was renewed with the ascendance of President Vladimir Putin and continues to be strongly pursued by the Russian leadership today. On September 12th 2008 the Security Council Special Conference, Russia's highest-level governing body in charge of national security, held a meeting of top officials including Secretary Nikolai Patrushev and National Security Director Anatoly Serdyukov at Nagurskaya Base on Franz Josef Land, located in Russian Arctic territory.¹⁷⁴ During the Cold War this base handled active traffic by nuclear-armed military aircraft, but from the Soviet collapse until 2009 it was staffed by 30 military personnel, 16 scientists and 6 meteorologists, and was effectively an isolated base reporting to the Russian FSB (the successor to the KGB). Yet it was at this location that several dozen members of the highest organ of Russian national security

¹⁷⁴– *ITAR-TASS* (12 September, 2008).

gathered to hold a special security conference and make a declaration on protecting Russia's natural interests involving Arctic resources.

This process of adopting a more direct Arctic strategy occurred as a result of neighboring countries accelerating their activities in the Arctic and new possibilities being created through the phenomenon of global warming. While introducing a comprehensive strategy for dealing with these issues, Russian leaders created a special military unit to protect their military/strategic benefits and have further expanded this unit, and by 2020 they plan to create a special military task force for the Arctic under the umbrella of the Federal Security Service. Further, to display the Russian leadership's intentions to the outside world, they dispatched frequent high-level delegations to the Arctic region. They also became directly involved in negotiations with neighboring countries such as Norway to build consensus on issues related to national rights in the Arctic. From August 23–25, 2010, Prime Minister Putin and other top Russian leaders joined a team of scientists in a project to search for whales at the Arctic research station on Samoilovsky, an island on the Arctic coast in Yakutia (Sakha) Republic, and at Olga Bay in the Kronotsky Nature Preserve on the Kamchatka Peninsula. Further, in July 2010 they declared a major exploration project of the largest scale seen in several decades. This project was to send a team of 50 specialists on a 3-month expedition from July 2010 on the scientific research vessel Akademik Fyodor of to collect materials from the Arctic Ocean. In addition to the scientists, individuals from the Russian



Ministry of Defense also joined this expedition, and the nuclear-powered icebreaker Yamal was also to be used in research activities. The purpose of this research project, which cost an estimated \$6.5 million, was to demonstrate that the Arctic seabed is a natural extension of Russian territory, and in 2011 they plan to submit related documents to the UN. In an interview with the Russian media, the scientist leading this expedition, Vladimir Sokolof, stated that the materials gathered from this expedition would form the basis of the arguments on Russia's rights to the Arctic region in the document to be submitted to the UN.¹⁷⁵ Thus in recent times Russia has continuously displayed its interest in the Arctic to the outside world, and this is related to the request that will be submitted to the UN in 2011 regarding the additional demarcation of Russia's Arctic territory as an exclusive economic zone.

3. Russia's Arctic Strategy

Development based on Complex Factors Originating from Economic Concerns

As described above, Russia has had a continuous interest in the Arctic since the time of the czars, and they clearly consider the region to be Russian territory and part of Russia's sphere of interest.

¹⁷⁵– “Ископаемая потребность ‘Академик Федоров’ отправляется расширять границы экономических притязаний России,” *Bremya*, <<http://www.vremya.ru/2010/132/12/258999.html>>.



Thus Russia's strategic approach to this area from the national dimension has continued from imperial times until today.

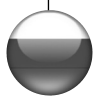
The original motivations behind Russian interest in developing the Arctic and opening the Arctic Sea Route were economic. This was particularly stimulated by the business interests of those who owned the Siberian gold mines. It was also affected by massive shipping needs during periods of war in the early 20th century such as the Russo–Japanese War of 1904–1905, Stalin's strong economic development strategies from the 1930s, and the need to increase the population in Arctic areas in order to develop the region's natural resources. These factors took on more complex influences during the Cold War period, as the military priority of weakening the strategic position of the U.S. and NATO came to the fore, and the region also gained importance as a mining area for strategic resources such as oil, natural gas, nickel, and diamonds. In recent times, as a result of global warming, these factors have grown even more complex. Now the region has gained importance as a center for national development and one axis of Russian strategy to increase global competitiveness, passing beyond the construction of port facilities and sea routes to become part of a comprehensive national strategy.

Russia's timely interest in the Arctic region and its sea route is similar to the decision pattern described in UCLA Professor Laurence C. Smith's new book entitled "The New North," which provides an outlook for this region in the year 2050 based on four

decisive factors shaping the future of the area above 45 degrees North latitude: demand for natural resources, population increases and migration, globalization, and climate change.¹⁷⁶

As described above, by the 1860s the owners of the Siberian gold mines were already developing gold mines above the Arctic Circle in the Yenisey River area, and British marine shipping companies had entered business relationships with these people to make a test voyage from England to the mouths of the Yenisey and Ob Rivers for the purpose of opening a new shipping route for gold and foodstuffs. Subsequently goods such as machinery and tea from England and Europe to Siberia, and on the return trip sent gold and foodstuffs from Siberia to Europe. However, during this period only a portion of the Arctic Sea Route (today's Northeastern Sea Route) was functioning. National interest in this route was revived as a result of the Russo – Japanese War (1904 – 1905). During the war the Russian government had to rush massive shipments of materiel to the forces resisting the Japanese at Lushun and other bases. As a result the just – completed trans – Siberian railroad was completely saturated with military shipments, and an urgent need arose for an alternate route for distributing food to Siberia and the Arctic. Thus for the first time at the national level the Russian government used the Kara Sea to send foodstuffs by ship to Siberia. With the war's end national interest declined for a time, but as the utility of the Arctic Sea Route

¹⁷⁶– Laurence C. Smith, *The World in 2050: Four Forces Shaping Civilization's Northern Future* (Dutton Adult, 2010).



had now been demonstrated, commercial interest was piqued. From 1911–1916 electrical lines were prepared for industrial use in the Arctic region. During this period one individual who played an active role in developing the Arctic Sea Route was the Norwegian Jonas Lied. He worked energetically to advance shipping traffic along the Arctic route, and as a result earned logging and manufacturing rights. He cultivated a commercial base in the region, building sawmills and pulp factories in the Yenisey River area and also establishing wireless transmitters along the Arctic coast and the mouth of the Yenisey in order to ship his goods to Europe. He also initiated use of the Arctic Sea Route used today connecting the Yenisey, Ob, and Kolima Rivers, although it was still in a primitive stage. Entering the 1930s, Stalin’s ambitious 5–year plan for “self–rehabilitation” also applied to the Arctic Sea Route, and while activities by foreign domestic enterprises were diminished as a result, national enterprises stepped forward to promote vigorous development. The central administration body in charge of the Arctic Sea Route and Arctic development, the Glavsevmorputi, was established in 1932, and through the enthusiastic dedication of individuals like Otto Schmidt, freight was shipped from the European region of Russia to the Lena River, and in 1935 from Vladivostok to the Kolima River, thus completing the main part of the Arctic Sea Route in use today.¹⁷⁷

In this way we can see that much of the basis of modern Russia’s

¹⁷⁷– “The Northern Mariner/Le Marin du Nord,” (April 1993).

Arctic strategy was formulated in the Soviet period. The Soviet Union conducted expeditions to try to make direct use of the region's underground and water resources, while also seeking out concrete plans for its industrial use. As a result by the 1930s large –scale mining facilities had been completed at Borkuta and Norilsk. As Stalin carried out his broad development plan he also established bases in the region for oil extraction and mining, now major strategic industries in modern Russia. But to enable sustainable development they needed to establish settlement villages in the region. For this purpose over 2 million people resettled to villages and mining bases in North Siberia and the Arctic Circle regions. Stalin had a particular interest in the Arctic and operated gulags to increase the labor force in the region. As Table VIII-1 shows, there are 46 towns¹⁷⁸ in the Arctic with populations exceeding 5000, and the area contains various heavy industries including the world's largest metalworking factory, coal mine, and nuclear facility.

¹⁷⁸– UN, “Climate Change Impact on Public Health in Russia,” (May 2008), <www.unrussia.ru/doc/Arctic - eng.pdf>.

Table VIII-1 Cities and Population Counts in the Russian Arctic (January 2007)

Population	Cities (Residents in thousands)
100,000–400,000	Murmansk (317), Norilsk (209), Noviy Urengoy (177), Noyabrsk (110)
40,000–100,000	Vorkuta (77), Apatity (62), Severomorsk (54), Monchegorsk (49), Nadym (48), Salekhard (40)
20,000–40,000	Kandalaksha (38), Muravlenko (37), Kirovsk (31), Labytnangi (27), Dudinka (23), Olenegorsk (23), Gubkinskiy (22), Tarko–Sale (20)
5,000–20,000	28 communities

Source: “Climate Change Impact on Public Health in Russia.”

Meanwhile they also enthusiastically promoted expeditions for the sake of scientific exploration and propaganda, sending ships like the Chelyuskin and the Sibiryakov to conduct Arctic expeditions. The Sibiryakov was the first ship to voyage across the entire Arctic Sea Route without the aid of an icebreaker, proving that in the summer it was possible to transit from Murmansk to Vladivostok. Reflecting the results of these expeditions, Stalin and the Soviet government established the Glavsevmorputi, the central administrative agency in charge of managing the Arctic Sea Route. The Soviet Union was the first country to have such an agency at the national level. This agency established scientific stations, wireless weather observation stations, and amenities for ship officers and crew members along the Arctic Sea Route. From 1950 commercial fishing was also active.



As Table VIII-2 shows, from the 1980s the Arctic Sea Route was effectively open year round. The Soviet Union used this route for secure and economical freight shipping during the Cold War, and in modern times Russia has opened this route to international traffic, increasing its distribution competitiveness and seeking new opportunities for development.

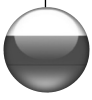
Table VIII-2 Changes in Volume of Cargo and Length of Voyages on the Arctic Sea Route (1935–1987)

Year	Cargo (1000 tons)	Length of Season (days)
1935	246	93
1940	289	93
1950	503	122
1960	1,013	128
1970	2,400	140–150
1980	4,951	Year round for western section
1987	6,579	Year round for western section

Source: Commercial Shipment on the Northern Sea Route, p. 5; *The Northern Mariner/Le Marin du Nord*, Vol. 3, No. 2 (April 1993) pp. 1–17.

According to Terence Armstrong of the Scott Polar Institute, freight shipments along the Arctic Sea Route can be divided into several distinct shipping patterns.¹⁷⁹

¹⁷⁹– Jan Drent, “Commercial Shipping on the Northern Sea Route,” p. 5; “The



- First, round—trip shipments between Murmansk and the Kara Sea ports
- Second, shipments along the Northeast coast linking Vladivostok and Murmansk
- Third, shipments from Murmansk and Vladivostok to the mouth of the Lena River
- Fourth, supply shipments to military, scientific and commercial bases in the Arctic
- Fifth, shipments from the Atlantic to the Pacific

Particularly noteworthy among these is the Kara Sea distribution pattern. Most of the traffic along the Kara Sea to Murmansk involves exports of lumber from Igarka at the mouth of the Yenisey River to Western Europe or shipments of goods related to the West Siberian oil and gas industries via the ports of Dudinka and Murmansk. As is well known, Yenisey contains the only railroad station linking to Norilsk, the epicenter of Siberian mining, and is a center for shipping throughout Siberia and the Russian Arctic; therefore the thickness of the ice in the Kara Sea between Dudinka and Murmansk has always been a matter of concern. However as a result of several years of observation and management this route has now become open year—round, as shown in Table VIII-3, and today this route plays a central role in Russian shipping in the Arctic. One of the reasons this route is particularly important is that it is the main route for transporting

Northern Mariner/Le Marin du nord,” (April 1993).

nickel from Norilsk, which dominates the global nickel market. Norilsk nickel is transported by train to Yenisey, from there to the port of Dudinka, and then on to a smelting factory near Murmansk. Furthermore, most of the lumber shipped from Igarka is transported in the summer. Igarka is 650 km north of Yenisey, but the lumber produced in this region and sent to Western Europe makes up 14% of Russia's total lumber exports, and thus this route is considered vital to Russian commercial interests. As mentioned earlier, the lumber shipping route along the Yenisey was initially helped along by foreign industrialists and sailors from places like England and Norway. This foreign help continued until after WWII, but it effectively ceased in the early 1950s. In 1962 a Greek ship transporting lumber from Igaruka was the last foreign vessel to use the route.

However in the 1980s shipping along the northeast coast from the Far East using the Russian Arctic Sea Route began to increase. In 1984 Finnish SA-15 freight icebreakers carrying pipes made in Japan across the Obi River and along the northeast coast of the Russian Arctic Sea Route, so it seems that records of shipping along the Arctic Sea Route from Murmansk to Vancouver increased after 1979. As can be seen in Table VIII-3, with the advance of global warming the Arctic Sea Route (Northeast Sea Route) is becoming an economically viable international commercial route, and it is becoming clear that in the next 10 years this route, together with the Northwest Sea Route, will gain prominence in the areas of international shipping and military strategy as well due to the effects of major environmental changes.

Table VIII-3 Analysis of Container Shipping Distances and Costs along the Arctic Sea Route and between Europe and the Far East

	Arctic Sea Route A	Far East—Europe Route B	Notes (A – B)
Shipping Area	Busan-Vladivostok -Amsterdam	Busan-Singapore-Rotterdam	
Distance (NMs)	7,548	10,824	-3,276
Time (days)	20	22.5	-2.5
Vessel	Ice Class	General category ships	
Ship construction cost	Market price+30%	Market price	
Crew expenses	Same as for normal routes	Normal route ship costs apply	
Insurance	Standard rate+25 – 30%	Standard rate	
Fuel consumption	Standard consumption rate+20%	Standard consumption rate	
Freight charge	Same as for normal routes	Normal freight charges apply	

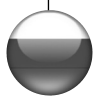
Source: Jin Hee Hwang, “The Arctic Sea Route: Possibilities and Tasks,” Presentation Material for the Pai Chai University Social Science Research Institute(17 September, 2010).



Military/Strategic Factors Emphasized during and after the Cold War

As mentioned earlier, Russians first began to take an interest in the Arctic for mainly economic reasons. However the task of securing these economic benefits was directly accompanied by military/strategic concerns. Thus during the Cold War the Soviets were aware that for U.S. long-range bomber squadrons based in western Greenland, the shortest route to Soviet heavy industry centers was across Arctic airspace, and they worked actively to design strategies to defend against this. For these reasons the Soviet Union worked to incorporate every island large enough to host an air force base within its territorial waters. In 1952 the Soviet Union declared the Kara Sea, the Laptev Sea, the East Siberia Sea, the Chukchi Sea, and the western part of the Bering Strait as part of Soviet territory and worked to secure exclusive rights to these areas. Also during this period, together with scientific stations there were many in-depth discussions regarding surveys of key military/strategic locations.

The Soviet leadership's military/strategic concerns over the Arctic region grew more serious as the Cold War conflict peaked. They worked to expand their ability to weaken the military intervention capabilities of the U.S. and NATO and improve their own mobility. It was particularly essential for the Soviet army and navy, which needed ice-free ports, to gain a year-round outlet route into the Atlantic Ocean from Murmansk base in the Arctic free from NATO interference. For precisely this reason, the sea route from the naval



base on the Kola Peninsula across the Barents and Norwegian Seas held high strategic significance. However there were limits to how much the Murmansk base could conceal its movements from surveillance by Norwegian and NATO forces.

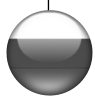
Right at this time, advances in aviation and deep-sea submersible technology caused the Murmansk port to take on new strategic importance for the Soviet military. The Soviet military recognized that their most useful forces against the U.S. and NATO were their submersibles and fighter jets armed with cruise missiles, and so they worked to build up those forces. Furthermore during the Cold War the Soviets conducted frequent drills in which they sent their submarines out via the Arctic route to points from which they could potentially attack U.S. cities, demonstrating that this was the shortest and most optimum route for attacking the U.S. and Western forces. The thick layer of ice along the Arctic coast made it particularly difficult to detect submarines, and they became quite active. Strategic fighter jets with greatly extended flight radiuses were also very active. Most of the Russian fighters taking off from Engels Base on the Volga River in central Russia were capable of carrying 6 cruise missiles.¹⁸⁰ The Soviets continued these flight exercises throughout the Cold War, but after the Soviet collapse they were stopped for a time due to budgetary constraints, reduced interest in the Arctic region, and the pro-Western policies of the early Yeltsin government. In 1992 the

¹⁸⁰– Christoph Seidler, *The Race for the Arctic*, (tr.), Park Mi Hwa (Seoul: The SUP, 2009).

Russian leadership unilaterally declared the cessation of reconnaissance flights over Arctic skies by long – distance strategic fighter jets. The military and Russian democratic forces intensely resisted, but they were unable to change the policy until the declaration of reopening by Russian President Putin on August 17th, 2007. Calling for the revival of a “Strong Russia,” Putin restarted various measures strongly advocated by the military, one of which was the formal announcement of reconnaissance flights over the Arctic by long – range fighter jets. Putin declared the renewal of test flights in the Arctic, stating, “Russia’s actions were not followed by other countries, and we consider this a matter of Russian security.” This was Putin’s response to the military’s argument that they could no longer stand by and watch as other countries displayed their military power over the Arctic. Putin’s declaration came after the U.S. mobilized 5,000 troops, 120 planes, warships, etc. in Alaska for a 12 – day exercise. In this way fighter jet exercises and reconnaissance flights were restarted in the Arctic after a 15 – year hiatus.¹⁸¹ To enable the fighters to remain in the air for over 12 hours during these exercises, they also employed aerial fuel tankers. According to Russian military statements, since Putin’s 2007 statement exercises have been carried out over 80 times, and since 2008 test flights or reconnaissance flights have been done at least 20 – 30 times per month.

Of course, every time these Russian aerial reconnaissance and

¹⁸¹– “President Putin Scrambles Bombers,” *Telegraph* (18 August, 2007), <<http://www.telegraph.co.uk/news/worldnews/1560661/PresidentPutinscramblesbombers.html>>.



training flights occur NATO has responded by deploying aircraft. Norway and Canada have also increased their military training and reconnaissance activities in the Arctic. In the summer of 2008 Russian military spokesman Kochinin stated that Russia's training and reconnaissance flights had never once been armed with missiles, and requested that the aircraft deployed by NATO also bear no missiles. However remarks like those by Russian Commander of Strategic Aviation Pavel Androssov, who stated that it was the duty of the Russian air force to demonstrate that their weapons could be transported as far as they could fly, frankly expressed to the West what Russia's true intentions were regarding defense in the Arctic region.¹⁸²

Statements like these are in line with the Russian leadership's stated interest in the Arctic, and as global warming has advanced they have begun to grow more strident. On August 8, 2007, for the first time since 1984 a Russia fighter jet equipped with a cruise missile performed a test reconnaissance flight over the Arctic. In this test exercise the flight crossed over the North Pole and entered both the Pacific and Atlantic regions, and during the flight 10 or more cruise missiles were fired at test targets. Russian air force spokesman Alexander Drobyshevsky clarified that 4 Tu-160 Blackjack bombers, 12 Tu-95 Bear-H strategic bombers and 14 Tu-22 Backfire-C theater bombers participated in the exercise.¹⁸³

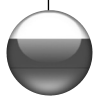
¹⁸²- Seidler, *The Race for the Arctic*.

¹⁸³- "Russia's Strategic Aviation Holds Tactical Exercises in Arctic," *Ria Novosti* (8 August, 2007), <<http://en.rian.ru/russia/20070808/70616742.html>>.

Also, in August 2008 the Russian navy also publicly announced surveillance activities in the Arctic, declaring that the area of Spitsbergen also fell within Russian surveillance territory and dispatching the Severomorsk to the area. Some time later the missile cruiser Marshal Ustinov was sent to the Arctic. The Ustinov is the power warship of the Russian navy, a Slava-class missile cruiser capable of carrying not only anti-ship missiles but also ground-to-air missiles armed with nuclear warheads. Thus the Russian navy re-started continuous and regular Arctic surveillance activities which had been on hold since 1991. Another noteworthy exercise in this area was that of the Russian nuclear submarine Ryazan, which spent 30 days conducting exercises under the North Pole. This marked the first time in some 10 years that a Russian nuclear submarine conducted military activities in the Arctic.

From a military/strategic point of view, the areas the Russian navy and strategists are most concerned with are the Bering Strait between the Far East and Alaska, the Davis Strait between Canada's Baffin Island and Greenland, the Denmark Strait between Greenland and Iceland; Russia is working to cultivate its capability so that in times of emergency the Russian navy can blockade these straits and prevent the U.S. military from moving and deploying in those areas.

As mentioned earlier, 2008 marked a time of great symbolism for Russia's Arctic strategy. That year the Russian army, navy, and air force planned and executed comprehensive exercises for defense of the Arctic region in the event of threats from neighboring countries, and exercises which had been halted for some time were restarted.



Further, in a September 17th 2008 speech before the Security Council President Medvedev stated, “The Arctic is a region of vital strategic significance to Russia’s long – term development,” adding that, along with the abundant oil and gas resources buried in this region, “The Arctic Sea Route connecting Europe with Far East Asia is a vital resource.” President Medvedev stated that “Making the Arctic into an important resource base for Russian development in the 21st century is a major national objective and in order to secure our national interests we must complete a legal framework enabling us to firmly control the southern borders of the Russian Arctic region.” Medvedev’s speech also emphasized “the issue of rapid resolution of matters related to connecting and extending the Russian continental shelf.” Medvedev clearly stated that “First of all we must firmly establish a long – term policy to protect Russia’s national interests, and second we must advance policies to reduce the economic gap between this and other regions.”¹⁸⁴

Documents on Russia’s Arctic Strategy: Basics of the Russian Federation’s Arctic Policy to 2020 and beyond

Following these remarks by Medvedev, on September 18th 2008 the Security Council approved a strategy document on Arctic issues entitled “Basics of the Russian Federation’s Arctic Policy to 2020 and

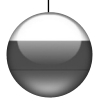
¹⁸⁴– <http://archive.kremlin.ru/eng/text/speeches/2008/09/17/1945_type82912type82913_206564.shtml>.

beyond” (ОСНОВЫ ГОСУДАРСТВЕННОЙ ПОЛИТИКИ РОССИЙСКОЙ ФЕДЕРАЦИИ В АРКТИКЕ НА ПЕРИОД ДО 2020 ГОДА И ДАЛЬНЕЙШУЮ ПЕРСПЕКТИВУ). This document was posted on the Security Council website.

The major contents of this document are described in a very opaque way, but the final section establishes some strategic objectives for implementation of Russian Federation policy divided into 3 stages.

The first stage covers the period 2008–2010, and during this time Russia will conduct thorough scientific surveys for geological/geographical observation, underground resource development, and other information, while gathering materials for formal demarcation and preparing a basis for international recognition of Russia’s Arctic territory. Also the document specifies allocating federal funds and strengthening international agreements in order to boost the economic vitality of the Arctic region, and sets objectives for establishing special economic zones and marine product manufacturing clusters in addition to energy and high tech production centers. This policy document also approved of measures such as realizing promising investment policy programs via the public–private relationship, clarifying the consideration and execution of the 2020 plan.

The second stage, from 2011–2015, involves delimiting Russian territory in the Arctic, i.e. concluding the legal work necessary to prove that the Lomonosov and Mendeleev Ridges are connected to the Russian continental shelf, and on that basis securing and boosting Russian competitiveness in production and distribution of energy



resources. Main agenda items during this phase include restructuring the economic framework of the Arctic around natural resources and marine life and building up infrastructure and operating capacity in order to improve the stability and competitiveness of the Northern Sea Route, which will bring about monumental changes in distribution capability. Also, in this phase Russia will focus on constructing a uniform information network in the Arctic region.

The objective of the third phase, from 2016–2020, is to supply all the conditions necessary to secure the Arctic’s position as a major strategic resource base for Russia. With the execution of these strategic, step–by–step objectives, Russia is hoping to show that it is the dominant leading force in the Arctic region.¹⁸⁵

Alongside this theorizing and stipulating, on September 12th, 2008 Russia’s highest–level security organization, the Security Council Special Conference, held a meeting of high–level officials including Secretary Nikolai Patrushev and National Defense Minister Anatoly Serdyukov at Nagurskaya Base in Franz Josef Land.¹⁸⁶

Also, plans were laid for bold investment and infrastructure improvement according to the new Russian railways policy which was proposed around this time. Since President Medvedev took office, infrastructure improvement has been part of the policy to increase national competitiveness, and these plans rely heavily on investment in the Arctic. President Medvedev has described his policy course

¹⁸⁵– “Basics of the Russian Federation’s Arctic Policy to 2020 and beyond,” Russia National Defense Council Website, <<http://www.scrf.gov.ru/documents/98.html>>.

¹⁸⁶– *ITAR-TASS* (12 September, 2008).

as the 4I policy,¹⁸⁷ which lays out separate focus areas including infrastructure. Medvedev's 4 "I"s are institutions, infrastructure, innovation, and investment. Medvedev spoke of this at the economic forum in Krasnoyarsk on February 13th 2008, and this is connected to the concrete plans for economic and social development programs laid out in Russia's long-term development plan up to 2020.¹⁸⁸

Thus the year 2008 marked a turning point in the Russian leadership's intentions to protect the Arctic and their desire to externally display their capabilities. Subsequently, on March 27th 2009 they declared plans to create a special military unit for Arctic defense, and they have continuously carried out military surveillance and training exercises. On March 30th 2009 in a specialist contribution to the *Rossiiskaya Gazeta*, Russian Security Council Secretary Nikolai Patrushev strongly rejected the argument that the Arctic is a common resource of all mankind and that multi-national energy companies should be freely allowed to conduct explorations there. Patrushev wrote, "The U.S., Norway, Denmark and Canada are conducting a united and coordinated policy of barring Russia from the riches of the shelf," adding "It is quite obvious that much of this doesn't coincide with economic, geopolitical and defense interests of Russia, and constitutes a systemic threat to its national security."¹⁸⁹

¹⁸⁷– For this statement please refer to *Reuters*, *Izvestia*, *the Moscow Times*, etc. on February 13–14, 2008.

¹⁸⁸– Seok Hwan Kim, "New National Development Strategies and Korea-Russia Cooperation under the Medvedev Administration," *e-kiet* (6 May, 2008).

¹⁸⁹– "Canada, Russia Build Arctic Forces: As Ice Recedes, Nations Maneuver for Control," *Defense News* (6 April, 2009). See also "Российская Газета," (30

These remarks by Patrushev, a former director of the FSB (the successor agency to the Soviet KGB) were representative of a number of opinions expressed by Russian leaders following the September 18th 2008 publication of the Russian National Security Council's strategy document "Basics of the Russian Federation's Arctic Policy to 2020 and beyond" (ОСНОВЫ ГОСУДАРСТВЕННОЙ ПОЛИТИКИ РОССИЙСКОЙ ФЕДЕРАЦИИ В АРКТИКЕ НА ПЕРИОД ДО 2020 ГОДА И ДАЛЬНЕЙ ШИРОКУЮ ПЕРСПЕКТИВУ) which announced stronger defense of Russia's borders in the Arctic and the creation of new military units in order to protect Russia's economic and military interests.

Infrastructure Investment and Intentions for the Russian Arctic Region

Russia's Arctic policy is proceeding in connection with its national investment priorities and its regional policies. To raise interest in the Yakutsk Republic which borders on the Arctic, the Russian government selected Yakutsk University as one of 7 special federal universities within the Russian Federation in the Spring of 2010 and has been supporting it with a sizeable education budget. In addition, as one of its various strategic measures to increase the Arctic population, Russia is using the universities to provide incentives and train Arctic-related manpower. As Table VIII-4 shows, all aspects of Medvedev's 4I Initiative share commonalities with the 2020 Arctic strategy.

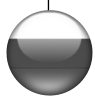
March, 2009).

Table VIII-4 Details of Medvedev's 4I Strategy

4I Categories	Details
Investment	Attracting FDI and investment by foreign high-tech industries using national funds to maintain competitiveness of existing energy sector and dig new oil wells.
Infrastructure	Construction of infrastructural base for development, 2030 and 2020 programs. Construction of infrastructural base for executing long-term projects in each region.
Innovation	Reforming Russia's economic structure through innovation, transitioning from an fuel-centric economy to increased competitiveness in a variety of fields, growth of the middle class, easing income inequalities
Institution	Reforming the bureaucratic system, reforming the administrative and legal systems, clarifying individual property rights, joining international organizations like the WTO

Source: Seok Hwan Kim, "New National Development Strategies and Korea-Russia Cooperation under the Medvedev Administration," *e-kiet* (6 May, 2008).

The need to build new infrastructure in the Arctic was also discussed by President Medvedev on April 10th, 2007 at the "Russian Railroad Transport Development Conference" which took place at the presidential residence in Novo Ogaryevo, outside of Moscow. This was the final step of the railroad reform begun in 2001 by then-President Putin, which included measures such as modernization of the production/technological base, expansion of the rail network, restoration of obsolete structures, construction of high-speed railways, support for the development of mines and undeveloped natural resource mining areas,



and construction of a distribution network to improve access to various areas. Putin further clarified this policy in his annual state-of-the-union address on April 26th, 2007, defining the highest-priority economic tasks as developing high-tech production, improving the efficiency of natural gas use, and correcting infrastructural constraints on economic growth (particularly shipping and electricity). As Table VIII-5 shows, investment in Russia's railroad infrastructure has been effectively paralyzed since the breakup of the Soviet Union, and particularly in the Far East Siberia region which is to be linked with development of the Arctic Ocean region, the railroad infrastructure can be said to be far inferior to that of Western Europe.

Because of this, at the 2-day "Railroad Conference" held in Moscow from October 24-25, 2007, President Putin and relevant ministers approved a strategy to improve the situation and increase awareness of the importance of investment in the areas behind and bordering on the strategic and resource-rich region of Siberia. Accordingly, this plan was put into operation as a subordinate policy in coordination with the "Russian Economic and Social Development Policy until 2020" created by the Ministry of Economic Development.¹⁹⁰

Russian Railways President Vladimir Yakunin, once considered a presidential candidate, in late October 2007 set the goal of solving the problem of the lack of railroads in a vast region of new development

¹⁹⁰- In relation, please refer to Ahn Byung Min and Kim Seok Hwan, "The Medvedev Administration's Policy for Improving the Russian Far East Transport Infrastructure and the Korean Peninsula," *The Korean Transport Institute* (2008).

areas including areas rich in underground resources, and this program is on-going. Reflecting this, one of the major points in “Russian Federation Transit Strategy 2020” is the investment plans for Siberia and the Arctic, all of which show features of having been made according to the priorities of the “Russian Energy Strategy 2020” and to produce balance and harmony anticipated from fuel and energy resources. Also, according to the newly revised and amended “Railway Development Strategy 2030,” investment in the Arctic and Northern Siberia is to be occupied by investment plans for the second stage (2016–2030). According to this plan, during this period Russia will dramatically expand its railway network, beginning the serious work of building new lines in Northern Siberia and other empty gaps in the network, expanding linkage networks and securing a new base for new growth in the economy, supplying aid for development of new mines and mining claims, and integrating Russia more strongly into the world market.

As this shows, Russian interest in the Arctic has become a major part of the state’s policy agenda since 2007 and particularly since 2008, and this has come to be faithfully reflected in their long-term national development plans.

Table VIII-5 Transport Accessibility in the Far East and Trans Baikal Region

Region	Transport Access		Population	Population Density (people/km ²)	Kms of Railroad Track per 10,000km ²	Kms of Road per 10,000km ²
	Road	Rail				
Primorsky Krai	67.4%	64.4%	2,019,000	12.3	94km	43km
Jewish Autonomous Oblast	83.9%	97.7%	187,000	5.1	143km	43km
Sakha Republic	4.9%	3.4%	950,000	0.3	0.5km	2.4km
Magadan Oblast	15.5%	0%	172,000	0.4	0	4.8km
Kamchatka Krai	20%	0%	326,000	0.8	0	2.6km
Amur Oblast	35.5%	88.5%	881,000	2.4	81km	20km
Khabarovsk Krai	9.4%	34.4%	1,412,000	1.8	27km	6.1km
Chukotka Autonomous Oblast	0.8%	0%	51,000	0.1	0	0.8km
Koryak Autonomous Okrug	0.7%	0	23,000	0.1	0	0.4km
Sakhalin Oblast	67.4%	85.2%	526,000	6	92km	8.7km
Buryatia Republic	42.7%	53.4%	964,000	2.7	65km	71km
Chita Oblast	67.4%	67.4%	1,054,000	2.6	59km	64km
Agin – Buryat Autonomous Okrug	69%	90.6%	74,200	3.8	62km	57km
Transport Accessibility Calculation:	Roads: $\frac{\text{Areas with roads within 30km}}{\text{total area}} * 100\%$			Rail: $\frac{\text{Areas with railroads within 100km}}{\text{total area}} * 100\%$		

Source: Byung Min Ahn and Seok Hwan Kim, “The Medvedev Administration’s Policy for Improving the Russian Far East Transport Infrastructure and the Korean Peninsula,” The Korean Transport Institute, 2008.

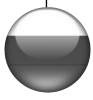


4. Russia's Claim to the Arctic Based on International Law and the International Community's Response

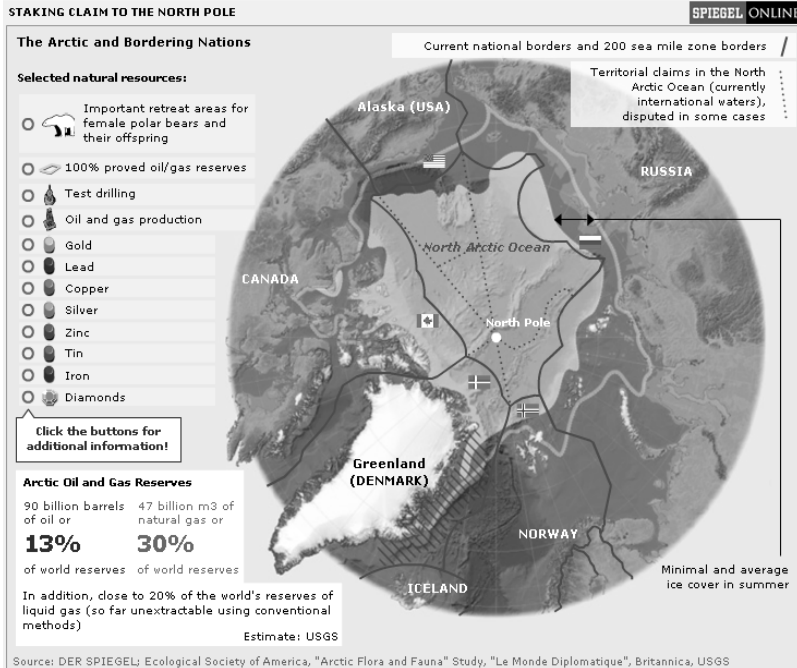
By reviewing the changes in Arctic policy adopted by the Russian leadership after the breakup of the Soviet Union, we can identify the course of Russian policy today. One of the most remarkable changes in Russia's Arctic policy came in 1997 when Russia signed the UN Convention on the Law of the Sea (UNCLOS). With this Russia declared that it would make direct efforts through the UN to secure its rights within the area guaranteed it by UNCLOS. In December 2001 Russia dispatched a delegation to the UN and made the first supplemental territory application to the UN under the terms of UNCLOS, presenting the issue of expanding its exclusive economic zone (EEZ). At that time Ivan Glumov, the Russian vice minister for Natural Resources, claimed rights to a vast area of 1.2 million km². This happened as Russian power was again rising within the international community, and it was a part of the Putin government's aggressive foreign policy for the new millennium. However this aggressive policy change did not receive much attention from the international security aspect. This is partly because all attention was focused on the war on terror. Yet as time passed it became evident that this represented a significant shift in national policy with serious implications. In line with then – President Vladimir Putin's Strong Russia policy, the government departed from Yeltsin's pro – Western policies and began to raise its own voice in international affairs. In Arctic policy as well Russia began to diverge from past actions in meaningful ways.

The first of these actions, as mentioned above, was the direct diplomatic offensive by way of the UN. Russia requested UN acknowledgement of its rights to the vast territory from the Lomonosov and Mendeleev Ridges to the North Pole. This marked the first time a UNCLOS signatory nation applied for an expansion of its territorial rights in the Arctic. Russia's claim amounted to 1.2 million km², equivalent to the total territories of Germany, France, and Italy, and comprising 45% of the total Arctic area; if approved, it would mean that Russia's influence over the Arctic would expand accordingly. For this reason objections arose immediately from the US, Canada, and others.

Of course, Russia bases these claims on the UNCLOS convention. UNCLOS does not authorize individual countries' sovereignty claims in the Arctic. However, it does authorize exclusive economic zones of 200 nautical miles for bordering countries. Accordingly, if it can be proved that the Lomonosov and Mendeleev Ridges are connected to the Siberian continent, as claimed by Russia, it may be deemed an extension of the 200 nautical mile exclusive economic zone of Russia on a special geological basis. Russia claims that according to their own research the Lomonosov and Mendeleev Ridges connect to the Siberian continent, the 200 nautical mile area attached to this continental shelf is Russia's exclusive economic zone, and Russian territorial waters must be extended.



● Figure VIII-2 Russian Claims to Regions Connected to its Continental Shelf and the Territorial Claims of Various Countries



Source: *Spiegel Online*.

● Figure VIII-2.1 Russian Claims to Regions Connected to its Continental Shelf and the Territorial Claims of Various Countries



Source: *Spiegel Online*.

As Figure VIII-2.1 shows, the territory claimed by Russia includes not only the Arctic region but also the Sea of Okhotsk (which touches the Korean peninsula) and the Bering Sea near Alaska. Naturally, Russia's claims are strongly opposed by the U.S., Denmark, Canada, Norway, and Japan. The UN Commission on the Limits of the Continental Shelf, which received and evaluated Russia's application, dismissed Russia's claims in April 2002 on the grounds that additional scientific materials were needed. Russia's reaction was predictable.

Putin's declaration meant that Russia began setting its Arctic strategy according to its own judgment, and Russia began to put this into practice through a series of measures, as described earlier. At first these focused on scientific measures and propaganda, but gradually military/security measures began to grow stronger. In the summer of 2007 Russia invested a budget of 45 million euros to send the vessel Akademik Fyodorof and the deep-sea submersible Mir on a new expedition. Artur Chilingarov of the Russian Duma was assigned to lead the mission and created a huge stir both overseas and domestically by planting a titanium Russian flag. This act was welcomed enthusiastically within Russia, and it reawakened a long-dormant nostalgia for Arctic exploration. However the international community looked on it with great unease, and it provoked strong opposition as seen in remarks by Canadian Defense Minister Peter MacKay, "This isn't the 15th century. You can't go around the world and just plant flags and say 'We're claiming this territory.'" This international response drew even more attention due to Putin's remarks at the



European Security Forum held in February of that year in Munich, Germany. At the time, Putin was sharply criticizing U.S. plans for missile defense (MD) in Eastern Europe, making anti-U.S. statements such as, “This will set off a new arms race. The U.S. is ignoring international law and forcing its own laws onto other countries.”¹⁹¹ Thus the planting of a Russian flag on the Arctic seabed by a member of the Russian Duma signaled that Russian policy was changing to a more combative stance, making some wonder if these were signs of a new Cold War. However this kind of resistance from Canada prompted Russia and the international community to immediately respond that Canada had committed similar actions itself. In 2005 Canada’s then-Minister of Defense Bill Graham visited Hans Island, an area in the midst of a territorial dispute between Canada and Denmark, and planted a Canadian flag there.¹⁹²

Russia continued to pursue its own plans. They showed no sign of relenting in the face of international protest; on the contrary, their interest expanded from scientific activities to security offensives and responses. Scientific exploration was further emphasized and in 2007 mobile scientific station NP-35 was established. NP-35 conducted a new year-long expedition from September 2007 to September 2008. Between the winters of 2008 and 2009 another mobile station, NP-36, was dispatched with 28 scientists and various equipment to

¹⁹¹- For information on Putin’s Munich speech, refer to <<http://www.securityconference.de/Conference2007.268.0.html?&L=1>>.

¹⁹²- “Hans Island the Tip of Iceberg in Arctic Claims,” *CTV News* (31 July, 2005), <http://www.ctv.ca/CTVNews/QPeriod/20050731/hans_island_QP_050731>.

conduct a new expedition and build a new station at Wrangel Island. On August 17th 2007 Putin announced the restarting of military exercises in the Arctic, and in 2008 the general strategy document “Basics of the Russian Federation’s Arctic Policy to 2020 and beyond” was released.

Furthermore, Russia has accelerated the development of its officially recognized Arctic territory. Representative of this is its oil and gas field development work. The Arctic area contains large-scale gas fields like the Stockman–Yamal field, and makes up 80% of Russia’s natural gas fields. However because most of these fields are in areas of extreme cold, they require highly specialized technology. In this field Russia is relatively underdeveloped compared to Western countries, particularly Norway. For this reason the Russian state–run gas company Gazprom established a separate private company, Sevmorneftegaz, to acquire technology for working in –50 conditions. Russia is cooperating with Shell and other companies to gain technology for gas extraction in extreme cold conditions and facilities to enable LNG shipping. They are also strengthening their strategic partnerships with Norway’s Statoil and France’s Total for technology acquisition. Further, to boost geological exploration, they combined 49 state–owned geological exploration companies into a single company, Rosgeologiya.

Aside from oil and natural gas fields, they have also taken an interest in the development of water resources and special metals which play a central role in Russia’s economy. Presently the Russian Far East and Okhotsk Sea areas adjacent to the Arctic produce 25% of Russia’s



marine products, and in the future these regions will have a considerable impact on Russian marine industry and neighboring countries.

Russia's activities are clear from what we have seen so far. While cementing its dominant position in its established Arctic territory, it is also trying to disentangle new territories from the terms of international law based on UNCLOS. Specifically, it has vowed not to recognize any treaties or regulations within international legal standards that may become obstacles. As a typical example, in the midst of the Soviet breakup, on June 15th 1990 the Russian Duma rejected the U.S. – Soviet “Shevardnadze – Baker Line.” This was a line agreed upon between the U.S. and Russia for delimiting the Arctic Ocean borders which gave the U.S. some 50,000 km² of territory that had been claimed by Russia. The U.S. Senate ratified the agreement on September 16th 1991, but the Russian upper house rejected it on the grounds that it went against Russia's national interests. Thus the issue of the Bering Sea border between the U.S. and Russia went unresolved.

However on September 12th 2010 Russia and Norway were able to reach an agreement on disputed territory in the Barents Sea. As oil and gas had been discovered in this area, Russia and NATO – allied Norway reached a peaceful settlement of the border which set a positive precedent for future Arctic border agreements. While on the one hand there are increasing examples of such peaceful agreements on Arctic borders, on the other hand Russia is showing more direct involvement in scientific and technical exploration for the sake of acquiring territory which may provoke a security response.

5. Conclusion

Environmental changes are definitely creating new strategic situations. The recent strategic situation brought on by environmental changes in the Arctic Ocean is a testimony to this fact. 5 countries border on the Arctic Ocean. These countries have been extremely resistant to intrusion by outside forces in the Arctic region, citing historical and geographic reasons. At a summit of Arctic coast countries hosted by Denmark in Ilulissat, Greenland from May 27–29, 2008, the 3 members of the Arctic Council which do not border on the Arctic (Sweden, Finland, and Iceland) were not invited. Only the 5 Arctic coast countries (Russia, the US, Canada, Denmark and Norway) attended. Also, this summit adopted the Ilulissat Declaration, which stated “By virtue of their sovereignty, sovereign rights and jurisdiction in large areas of the Arctic Ocean the five coastal states are in a unique position to address these possibilities and challenges.” Further, the declaration stated “We ... see no need to develop a new comprehensive international legal regime to govern the Arctic Ocean.”¹⁹³

As environmental groups such as Greenpeace have said, it appears that the countries of the Arctic Ocean coast have cleverly utilized maritime laws to give themselves exclusive preferential rights to the vast resources buried in the Arctic.

Russia’s interest in the Arctic is not much different from that of the other Arctic countries. Russia stands together with them in opposing

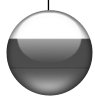
¹⁹³– For information on the Ilulissat Declaration, refer to <http://www.oceanlaw.org/downloads/arctic/Ilulissat_Declaration.pdf>.



outside involvement in the Arctic Ocean. However, Russia has no intention of yielding to them in individual competition. As seen in the 2008 incident when the Chilingarov expedition planted a titanium Russian flag on the Lomonosov Ridge, Russia is actively involved in Arctic issues and is thoroughly pursuing recognition of its own interests. As the U.S. is not in a position to make a significant response on Arctic issues due to the war on terror and the global financial crisis, Russia has been working directly to increase its privileges and build an international regime. Through this process Russia is seeking to greatly increase its own economic, military, and strategic benefits. Within the next few years Russia will likely announce significant tax increases on the use for economic purposes of its Northeast and Northwest routes, and they believe that it will be possible to have regular use of these routes without much difficulty year-round except for a limited period during which ice breakers will be required. Thus Russia is already investing massively in preparing ports and routes through this region, and it is studying possibilities for deep-water ports in Murmansk and Magadan capable of receiving large vessels.

If the Arctic Sea Route becomes open to commercial use year-round, experts predict that one of the practical problems that will immediately arise is the issue of the usage fee for Russian routes. Just as Russia charges a fee for foreign airlines to pass through Siberian airspace, it will probably also charge a fee for foreign ships using its Northeast Sea Route. Presently Russia collects \$300 million per year in fees for airspace passage to Asia from Europe alone.¹⁹⁴

Russia's strategy toward the Arctic has a long history and deep



implications. Since the time of the czars, Russia's interest in this region has expanded at the national level, and the Russian people have a strong territorial sentiment toward Siberia and the Arctic. Russia's scientific exploration and accumulated experience have also added to the people's sense of pride. In particular, Russia's recent attempts to use UN conventions on maritime law in order to gain recognition of additional territory represent a Russian mentality of compensation for the vast territory that Russia lost during the breakup of the Soviet Union. As a practical goal toward its new emergence as a great power, Russia is working to establish firm rights in the Arctic and building momentum in the economic development of those areas. These concepts were reflected in Russia's policy document "Basics of the Russian Federation's Arctic Policy to 2020 and beyond," and through this the Russian leadership appears to be attempting an image makeover - from the decaying successor of the Soviet Union to a rising new world power. Russians appear to believe that in order to gain acceptance of their rights and privileges they have to take more direct action than other countries. This attitude seems to be prevalent among the Russian leadership, as seen from Federal Security Council Secretary Patrushev's remark, "If we do not become active now, we will simply be forced out."¹⁹⁵ Thus Russia is pursuing a comprehensive Arctic strategy which encompasses its political, military, economic and scientific needs.

¹⁹⁴- "Russia Agrees to Scrap over Flight Charges for EU Carriers by 2014," *Ria Novosti* (24 November, 2006), <<http://en.rian.ru/russia/20061124/55956999.html>>.

¹⁹⁵- "Russia Unveils Aggressive Arctic Plans," *Spiegel* (29 January, 2009), <<http://www.spiegel.de/international/world/0,1518,604338,00.html>>.

Russia's interest in the Arctic is highly complex. As described earlier, historically it has long been a point of pride for Russians, and they feel a very close territorial bond with it. For these reasons the Russian leadership has been very cautious and sensitive toward its interests in the region. The Arctic plays a decisive part in shaping national pride and identity. Thus it is insufficient to view Russia's interest and strategy toward the Arctic merely in terms of the transportation value of the Northeast Arctic Sea Route. It is important to keep in mind that the Russian leadership always takes a military/strategic view rather than an economic view in formulating its strategy for this region.

The Arctic and its Northeast and Northwest Sea Routes, which are not far from the Korean peninsula, are being newly opened due to the effects of global warming and economic necessity. China has already dispatched icebreakers to the region and begun to express its own interest, and Japan and other countries share the same sentiment. Russia views these moves as an infringement on its own privileges and is working to gain additional territorial rights through the UN before international involvement intensifies. China, which needs to open new routes through the Pacific and Arctic Oceans, has clearly shown a growing interest in accessing North Korean ports on the East Sea, particularly Rajin. In the process of direct commercialization of the Northeast Sea Route, Russia may also take an increased interest in Rajin port as a rear central port in the northern part of Korea. As Russia's ports in the Far East are shallow, if it wants to use the Northeast Sea Route as a rear central base, from a security standpoint it will naturally take a great interest in this area.

■ References ■

1. Books

- Brubaker, R. Douglas and Douglas Brubaker. *The Russian Arctic Straits(International Straits of the World)*. Brill, 2005.
- Byers, Michael. *Who Owns the Arctic?: Understanding Sovereignty Disputes in the North*. Douglas&McIntyre, 2010.
- Pier, Horensma. *The Soviet Arctic*. Routledge, 1991.
- Seidler, Christoph. *The Race for the Arctic*. (tr.). Park Mi Hwa. Seoul: The SUP, 2009.
- Smith, Laurence C. *The World in 2050: Four Forces Shaping Civilization's Northern Future*. Dutton Adult, 2010.
- Thompson, Niobe. *Settlers on the Edge: Identity and Modernization on Russia's Arctic Frontier*. UBC Press, 2009.

2. Articles

- Ahn, Byung Min and Kim Seok Hwan. "The Medvedev Administration's Policy for Improving the Russian Far East Transport Infrastructure and the Korean Peninsula." The Korean Transport Institute, 2008.
- Barr, William. "A Tsarist Attempt at Opening the Northern Sea Route: The Arctic Ocean Hydrographie Expedition, 1910–1915." *EPIC*. 6 January, 1975.



Kim, Seok Hwan. “New National Development Strategies and Korea-Russia Cooperation under the Medvedev Administration.” *e-kiet*. 6 May, 2008.

Smith, Mark A. and Keir Giles. “Russia and the Arctic: The Last Dash North.” Defence Academy of the United Kingdom. 5 September, 2007.

Stokke, Olav Schram and Ola Tunander. “The Barents Region: Regional Cooperation in Arctic Europe.” Oslo: International Peace Research Institute, 1994.

3. News Articles, Electronic Resources, etc.

Arctic Climate Impact Assessment-Scientific Report. Arctic Climate Impact Assessment. Cambridge University. Press, 2005.

“The Northern Mariner/Le Marin du Nord.” *The Canadiana Nautical Research Society* Vol. 3, No. 2 (April 1993).

Hwang, Jin Hee. “The Arctic Sea Route: Possibilities and Tasks.” Presentation Material for the Pai Chai University Social Science Research Institute. 17 September, 2010.

Defence news.

Itar-Tass.

Российская Газета.

Ria Novosti.

Spiegel.

<<http://archive.kremlin.ru>>.

<<http://en.rian.ru>>.

<<http://www.cnrs-scrn.org>>.

<<http://www.oceanlaw.org>>.

<<http://www.scrf.gov.ru>>.

<<http://www.spiegel.de>>.



Conclusion:
Suggestions for Strengthening the ROK–Russia
Strategic Cooperation Partnership

In–Kon Yeo



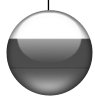
From the time of their diplomatic normalization in September 1990, the relationship between South Korea and Russia has evolved from “friendly relations and cooperation” (November 1992) through “a constructive and mutually complementary partnership” (June 1994) to “a mutually trustful and comprehensive partnership” (September 2004). Since President Lee Myung-Bak took office in February 2008, the main objectives of South Korea’s Russia policy have included strengthening the ROK-Russia cooperation structure in order to resolve the problems on the peninsula, expanding cooperative projects to develop energy and other resources as well as the Eastern Siberia region, helping to construct the infrastructure for the 2012 APEC Summit in Vladivostok and the 2014 Winter Olympics in Sochi, and high-tech cooperation in the space industry. At their summit meeting in Moscow in September 2008, President Lee and Russian President Dmitry Medvedev (who took office in May 2008) agreed to pursue a “strategic cooperation partnership.”

Yet the general consensus is that ROK-Russia relations have not yet reached the level of an actual “strategic cooperation partnership” in practice and appear unable to move beyond official pronouncements to actual implementation. For the ROK government to establish and strengthen a true “strategic cooperation partnership” with Russia, we must develop an accurate understanding of Russia’s current diplomatic, security, and economic strategies and policies in the 21st century for the world, the East Asian region, and the Korean peninsula. In this context, we can take the following general insights from the 8 papers presented in this book.



Russia's primary diplomatic and security objectives in the 21st century are as follows. First, to recover Russia's status as a world power, which had declined with the collapse of the Soviet Union - not through military strength but through economic growth and soft power. Second, to integrate the Russian economy closely into the global economy. To achieve this goal Russia is currently pursuing a modernization strategy and striving for a transition to a multi-polar global system while avoiding direct confrontation with the U.S. and the West. Russia hopes to see a new security structure in Europe in which the U.S. will no longer be able to exert its dominance, and seeks to halt its encroaching influence over the former Soviet republics. Further, disappointed with its relations with the West, Russia is shifting its focus to the dynamic economies of India, China, Japan, South Korea, and the ASEAN nations.

From a security standpoint, Russia's relations with the U.S. improved after the attacks of September 11th, 2001, but then deteriorated again due to the impact of the U.S. war in Iraq, the expansion of NATO, and the Russia-Georgia conflict of August 2008. After U.S. President Obama took office in January 2009 U.S.-Russia relations underwent a "reset," highlighted by the April 2010 signing of the New Strategic Arms Reduction Treaty (New START) and other developments. Under these circumstances, Russia believes that its relations with the U.S. are at a crossroads between mutual cooperation and mistrust, due to differences in national interests arising from the national objectives of both countries and major concerns such as missile defense systems and problems in the former Soviet republics.



Russia desires a relationship with the U.S. that corresponds appropriately with the latent potential and present-day needs of the two countries.

In East Asia, Russia's perception of its primary security threats and challenges includes the North Korean nuclear issue, territorial conflicts, historical issues in China-Japan and ROK-Japan relations, the Taiwan issue, Northeast Asia's energy security, terrorism, copyright laws, the environment and natural disasters, and infectious diseases. Meanwhile it considers multilateral regional cooperation on the 6 Party Talks and energy issues, cooperation in dealing with new and non-traditional threats, and a multilateral economic consultative body for East Asia as elements beneficial to stability. Russia anticipates that in the future these stabilizing trends will win out over the destabilizing ones in East Asia.

In Korean peninsula affairs, Russia points to the North Korean regime's security logic as the major cause of the nuclear crisis, and considers the likelihood of North Korea giving up its nuclear arsenal as very dim considering how its negotiating position has improved following the nuclear tests. In this context Russia is arguing that South Korea and itself, as part of their strategic cooperation partnership, should prepare a joint action plan to resolve the North Korean security issues. In particular Russia sees possibilities for a 3-way summit by the two Koreas and Russia. Further, to expand the strategic cooperation partnership, Russia is pushing for a new global financial system, increased cooperation via a multilateral security structure within East Asia, regular high-level ROK-Russia bilateral talks, adoption of a "Northeast Asia Energy Charter," an economic

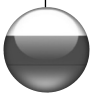
cooperation model that is more mutually beneficial to both countries, large-scale multilateral projects, the connection of the South Korea-Rajin-Khasan transportation networks, expanded personnel exchanges, increased cooperation in education, science, culture, and sports, and expanded exchanges of information and culture for better mutual understanding. Russia sees North Korea's transition to a market economy and democracy after Kim Jong Il's death as an essential prerequisite to Korean unification.

Economically, since the early 1990s Russia has sought to develop its Eastern Siberia and Far East regions and integrate them into the Asia-Pacific economy, which is in the midst of dynamic development. In order to boost trade and economic cooperation with the countries of Northeast Asia, they are making efforts to improve the foreign trade structure with focus on exports of natural resources and to modernize their export industries. Russia particularly needs to compete with Middle Eastern producers of oil and natural gas, so it is working to build up its transport and distribution infrastructure and increase its energy exports to the Northeast Asian region. Aside from energy Russia is also interested in foreign investment, the environment, modernizing key industries, shipping, healthcare, education, and humanitarian/cultural exchanges.

Regarding connecting the TSR-TKR railway lines, Russia estimates that \$2.5–3.5 billion will be needed to rebuild the 960 km of track from the Tuman River border to the DMZ. If inter-Korean relations improve, this project may become feasible. The Tuman River Area Development Programme (TRADP), a project begun in 1995 involving

the two Koreas, Russia, China, and Mongolia, was renamed the Greater Tuman Initiative in 2005. This project lost its dynamism due to the UNDP's failure to deliver \$30 billion in promised funds, sluggish private investment, and divergent interests among the participating countries. However Russia sees the Tuman River as a potential route for shipping, trade and energy flows across Asia, and thus if the related countries can shift to a more integrated relationship the project may gain new vitality. With the recent global warming trend, more countries are looking for ways to economically exploit the Arctic Circle region by developing exploration technology. Over one-third of Russian territory is connected to the Arctic Circle and Russia has jurisdiction over the Northeast Sea Route; if this route could be completely opened its commercial use would vastly expand. The 8 countries in the Arctic Council as well as South Korea, China, Japan, and the EU have clearly stated their interest, but Russia is opposed to intervention by other countries.

In order to establish and strengthen its strategic cooperation partnership with Russia, South Korea will have to work to expand strategic cooperation on matters of mutual concern and also address issues of conflicting interests by broadening consensus through close cooperation and communication among high-level government officials and experts, while taking into account the various diplomatic, security, and economic strategies of Russia in the 21st century. In the international and regional dimensions, the two countries share a number of common concerns including management of global issues such as terrorism, natural disasters and infection diseases, the



formation of a new global financial system, cooperation in building multilateral security and economic structures for East Asia, and a mutually cooperative U.S.-Russia relationship. In the bilateral dimension, South Korea and Russia share a common interest in the ROK government's support for Russia's modernization, development cooperation in Eastern Siberia and the Far East, a peaceful resolution to the North Korean nuclear problem, North Korea's transition to a market economy and democracy, the creation of a more mutually beneficial economic cooperation model, expanded exchanges of personnel, increased cooperation in the fields of education, science, culture, and sports, and increased exchanges of information and culture for better mutual understanding. If inter-Korean relations improve additional projects may become possible, such as connecting the TSR-TKR railroad lines, linking the South Korea-Rajin-Khasan transport network, and advancing the Tuman River Area Development Programme. There are several actions which the ROK government needs to consider, such as preparing a ROK-Russia joint action plan for resolving North Korean issues, holding a 3-way summit of the two Koreas and Russia, and adopting an energy charter for Northeast Asia.

Meanwhile there are many areas where South Korean and Russian interests conflict, such as Russia's preference for a multi-polar global system, the ROK's efforts to strengthen its alliance with the U.S., the ROK's North Korea policy, Russia's policy of excluding other nations from its Arctic Circle region and South Korea's interest in the Northeast Sea Route, etc. Russia, which prioritizes peace and security on the Korean peninsula, must understand that large-scale North Korean

provocations against the South are deterred by the U.S.-ROK alliance. In addition, Russia claims that the ROK's North Korea policy is "hard-line," but it must realize that North Korea's efforts to develop nuclear weapons and missiles represent a far more hard-line policy which is raising concerns throughout the international community. In regard to the Arctic Circle, Russia must approach this region from the viewpoint that it is a part of "humanity's joint inheritance."



Contributors

Jung-Ho Bae is the director of the Center for International Relations Studies at Korea Institute for National Unification (KINU). His research interests include Japanese domestic politics and foreign policy, South Korean policy toward North Korea and unification policy, International politics of Northeast Asia. He is the author of a number of monographs and books in Korean on those subjects, including *South Korea's Strategy for Regime Transformation in North Korea and Cooperation among Northeast Asian Four Countries* (Seoul: KINU, 2009); *Domestic and Foreign Policy of the Abe Cabinet* (Seoul: KINU, 2007); *Japan's Security Strategy within its National Strategy* (Seoul: Nanam, 2006); *Korea's Vision for 21st Century and Strategy toward North Korea* (Seoul: KINU, 2002); *Korea's National Strategy and Security Strategy in the 21st Century* (Seoul: KINU, 2000); and *Japanese Domestic Politics and Foreign Policy in the Post-Cold War* (Seoul: KINU, 1999). He is editor-in-chief and a co-author of *The U.S.-ROK Alliance in the 21st Century* (Seoul: KINU, 2009) and *Understanding International Conflict* (Seoul: Korea Foundation, 1999). He received B.A. in Political Science from Yonsei University and an M.A. and a Ph. D. in Political Science from University of Tokyo.



Sergei Chugrov is an expert in Russian foreign policy and international relations, modernization of traditional societies, and Russian–Japanese relations. He graduated from Moscow State Institute of International Relations(MGIMO University) of the MOFA in 1973, holds his doctor’s degree in sociology from the same university, and now is a professor there. From 2002–2007 he served as the chair of International Journalism at MGIMO University. He has been the Editor in Chief of *Polis* (Political Studies), Russia’s top journal on political science, since 2007, and a leading researcher of the Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences since 1992. From 1987–2007 he also served as deputy chief editor of the journal *World Economy and International Relations (MEMO)*, and from 1977–1987 he worked as a correspondent and a columnist at the *Izvestia* daily newspaper. Professor Chugrov is the author of several individual monographs, about 20 collective monographs and about 300 journal and newspaper articles published in Russia, the U.S.A., Japan, the ROK, Germany and other countries. Among his individual monographs are: *Japan in Search of New Identity*(in Russian). Moscow: Oriental Literature, 2010; *Sociocultural Space and Foreign Policy of Modern Japan*(in Russian). Moscow: IMEMO, 2007; *Domestic Sources of Russian Foreign Policy Towards Japan in the 1990s*(in English). Occasional Papers. Cambridge, MA: Harvard University, 1994; *Russia and the West: Metamorphosis of Mutual Perceptions*(in Russian).

Moscow: 'Nauka' Publishing House, 1993; *Der 'Westen' im russischen Bewußtsein*(*The 'West' in Russian Consciousness*). Berichte des Bundesinstituts für ostwissenschaftliche und internationale Studien. Köln, 2000. (coauthored with famous Russian sociologist G. Diligenskiy).

Professor Chugrov has held research fellowships in Japan (Hosei University, Shizuoka Prefectural University), the U.S.A. (Harvard University), France (Ecole des Sciences de l'Homme), and Great Britain (London School of Economics), and has participated in research programs initiated by the Japan Foundation; SIPRI; the University of Calgary (Canada) and the Gorbachev Foundation.

Vladimir U. Sizov (BG, ret., Ph. D.) is head of the Center for Military Strategic Studies at the Institute for U.S. and Canadian Studies (ISKRAN) of the Russian Academy of Sciences. He was a professor in the Strategy Department at the General Staff Academy of the Russian Armed Forces from 2000 to 2003. His recent publications in the ISKRAN scientific e-journal "Russia and America in the XXI Century" (www.rusus.ru) include: *Russian Defense Policy and Its Implications for RF Military Security* (2010, No. 2); *Russia –U.S. Security Relations: Is 2009 a Failure or a Success?* (2010, No. 1); *Globalization and U.S. Strategy* (2009, No. 3); *Russian Defense Policy after the 2008 Crisis in the Caucasus* (2009, No. 2); *U.S. National Defense Strategy 2008: Outcomes and Expectations* (2009, No. 1). He

specializes in Russian and U.S. national security and defense policy.

Vasily Mikheev is the Deputy Director of IMEMO RAS, Head of Asian–Pacific Studies Center of IMEMO RAS and a corresponding member of the Russian Academy of Sciences. He is a widely renowned expert in Northeast Asia and Asia–Pacific studies. Dr. Mikheev is the author of 6 individual monographs, 40 collective monographs and around 300 journal and newspaper articles published in Russia, the U.S.A., the EU, Switzerland, China, Japan, North and South Korea, India, Pakistan, Bangladesh, Singapore, Vietnam, Cambodia, Mongolia, Taiwan, and Kazakhstan.

He graduated from Moscow State Institute for International Relations of the Russian Foreign Ministry in 1976. In 1978 he obtained his Ph. D. in International Economics, and in 1992 he became full professor at the Institute of Far Eastern Studies of the Russian Academy of Sciences. Dr. Mikheev also has practical diplomatic experience. From 1981–1984 he worked in the Russian Embassy to North Korea, and from 1993–1996 he headed the Political Section at the Russian Embassy to Lithuania. Since 1998 Dr. Mikheev has been the APEC Studies Center coordinator for Russia. From 1999–2005 he was deputy director of the Institute for Far Eastern Studies of RAS. From 2003–2005 Dr. Mikheev served as director of the Asia Security Program of the Carnegie Moscow Center.



Georgy Toloraya is the director of Korean research at the Institute of Economics of the Russian Academy of Sciences. He is a diplomat (rank of minister) with decades-long experience in Korean affairs, having served two postings in North Korea (1977–1980 and 1984–1987), then in South Korea as a deputy chief of the Russian Embassy (1993–1998) and later as the senior Russian Foreign Ministry official (deputy director – general) in charge of the Korean Peninsula (1998–2003). He also worked as the consul general of Russia in Australia (2003–2007). Prior to that he worked for trade promotion agencies related to Korea. He has also pursued a successful scholarly career, having graduated from *MGIMO* (Moscow University of International Relations) in 1978, earning a Doctor of Economy degree in 1984 and a Full Professor degree in Oriental studies in 2002. He has published many articles and books on East Asia, collaborated as a part-time researcher with noted Russian academic institutes including the Institute of World Economy and International Relations (IMEMO), and taught at *MGIMO*. In 2007–2008 he was a visiting fellow at the Brookings Institution in Washington, D.C. He now also works for the “*Russkiy Mir*” (Russian World) Presidential Foundation in Moscow as department chief in charge of Asia and is the national coordinator for CSCAP Russia.

Alexander N. Fedorovskiy is an expert in the Pacific regional economy, Northeast Asian affairs, the Korean economy and

Russian–Korean relations. He graduated from the economics department of Moscow State University and received his Ph. D. in economics from IMEMO. He has been head of section for Pacific Studies at the Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences since 1996. From 2003–2007 he also served as the Executive Secretary of the Center for Contemporary Korean Studies and as a member of editorial board of the journal *KoRusForum* (Moscow). From 2002–2004 he was a professor at Moscow MGIMO University of the MOFA of the Russian Federation. Since 2008 he has been a member of the Editorial Advisory Board of *The International Journal of Korean Unification Studies* (Seoul). Professor Fedorovskiy is the author of 3 individual monographs, 20 collective monographs and about 200 journal and newspaper articles published in Russia, the ROK, U.S.A., Japan, India, Singapore, Vietnam, Kazakhstan and other countries, including:

Chaebol phenomena: the state and big business relations in the Republic of Korea(In Russian). Moscow, 2008; *Twenty Years of Russia-ROK Diplomatic Relations: Main Results and Prospects for Bilateral Cooperation*(Editor in Chief, In Russian). IMEMO, Moscow, 2010; “President Medvedev’s Policy towards East Asia and the Korean Peninsula.” *IFANS Review*. Vol. 16, No. 2, Seoul: February, 2009; “Regional Economic Cooperation in North East Asia.” in *East Asia between Regionalism and Globalism* (ed.). Gennady Chuftrin.



Singapore: ISEAS, IMEMO, 2006.

Professor Fedorovskiy has held research fellowships in the ROK, Japan and the U.S.A., and has participated in research programs initiated by the Korean Institute for National Unification; SIPRI; the National Institute for Research Advancement (NIRA, Japan); the Gorbachev Foundation; the RAND Corporation; and the Korea Foundation.

Alexander Vorontsov is currently the head of the Department for Korean and Mongolian Studies and the Institute of Oriental Studies of the Russia Academy of Sciences. He also holds several teaching and research posts at Lomonosov Moscow State University, the Russian Federation Military Science Academy, and the Institute for Asian Studies at Osaka University of Economy and Law in Japan. He is the member of the Russian delegation to the Russia–DPRK Intergovernmental Commission dealing with trade, economic, and scientific–technical cooperation. He was a visiting professor at Hanguk University of Foreign Studies in Seoul from 1998 to 2000 and at Ritsumeikan University in Kyoto, Japan in 2009, as well as a visiting fellow at the Brookings Institution Center for Northeast Asian Policy Studies in Washington D.C. in 2005–2006. He completed the executive course series at the Asia Pacific–Center for Security Studies in Honolulu in 2005. Dr. Vorontsov served as second secretary in the Russian Federation’s Embassy in Pyongyang from 2000 to 2002. He holds a Ph. D.

in history from the Institute of Oriental Studies at the U.S.S.R. Academy of Sciences and has studied at Lomonosov Moscow State University and Kim Il Sung University in Pyongyang.

Svetlana Suslina, Doctor of Economics, is currently a professor of world economy at the Moscow State Institute for International Relations (MGIMO—University) and an associate scholar at the Center for Korean Studies of the Institute for Far Eastern Studies of the Russian Academy of Sciences (RAS). She is a specialist in economic cooperation in the Northeast Asian region, focusing mostly on the Korean Peninsula. She graduated in 1972 from the Moscow State Institute for International Relations of the Russian Federation’s Ministry of Foreign Affairs, received her Ph. D. in economics from the Institute of Oriental Studies of the RAS in 1978 and attained another Ph. D. in economics from the Institute for Far Eastern Studies in 2003.

She worked as an expert—consultant of the International Center for Korean Studies of Moscow State University from 1995—2005. Svetlana S. Suslina is the author of over 100 articles, as well as numerous book chapters and academic articles on the main problems of the two Korean states and Northeast Asian affairs published in Russia and the Republic of Korea. Her published individual monographs are: *Industry of South Korea*. Moscow, 1988. (in Korean in 1989); *Republic of Korea: Economy and Globalization*. IFES RAS, 2002; “Foreign Capital in the Industrial Development of the ROK Economy.” (Ph. D. dissertation, 1978



in Russian); “Republic of Korea: Post-Industrial Stage of Development(late 1980s – early 1990s.” *Vostochnaya Literatura*. RAS Publishing House, 1997.

Seok Hwan Kim is a specialist in Russian politics and security, East Asian cooperation, and international politics. He completed an undergraduate course in Russian Language and a graduate course in Russia and East European Studies at Hankuk University of Foreign Studies. He served two terms in Moscow as a special correspondent for the *Chungang Ilbo*, and has been active for many years as an international bureau chief, editorial writer and columnist. He has also served as a member of the Presidential Commission on Policy Planning, a policy consultant for the National Security Council, and senior press secretary to the prime minister. Subsequently he worked as a research fellow at the Korea Institute for Industrial Economics and Trade (KIET), and presently he is vice president of Juseong University and director of the Institute of International Development and Strategy. He has contributed many columns and analyses to major media organizations and has authored or translated ten books. His major works include: “Putin and Modern Russia-Oligarchs, Vassals, and the President.” (2004 SM Media); “Understanding Modern Russia’s Political Economy.” (co-author, 2005, KIEP); “Developments in China-Russia Relations and Their Impact on Northeast Asia: Focusing on the Shanghai Cooperation Organization.” (co-author, 2005, Presidential

Committee on Northeast Asia Cooperation Initiative); “Analysis of ODA from Developed Nations and South Korea’s Foreign Aid Strategy.” (co-author, 2009, KIET); “South Korea’s Energy Resource Security Strategy and Ideas for Promoting ROK-Russia Cooperation.” (2008, National Research Council for Economics, Humanities and Social Sciences); “Resource Development in Emerging Strategic Markets and Strategies for Expanding Industrial Cooperation.” (co-author, 2008, KIET).

In-Kon Yeo is a senior research fellow and director of the Information Center for Unification Studies at the Korea Institute for National Unification(KINU). His research interests include security issues in Northeast Asia, Russian politics and foreign policy, inter-Korean relations, and German issues. He is co-author of *South Korea's Foreign Policy for Strengthening Strategic Cooperation with East Asian Countries in the 21st Century* (KINU, 2009); *The Denuclearization-Opening-3000 Initiative: Promotion Strategy and Execution Plan* (KINU, 2009); *Trends and Outlook for the North Korea Policies of 4 Regional Powers: From the 2.13 Agreement to the South-North Summit* (KINU, 2007). He received his Ph. D. in political science from Frankfurt University in 1990.



2010년도 KINU KOREA-RUSSIA
민간전략대화 및 국제적 공동연구

Russian National Strategy and ROK - Russian
Strategic Partnership in the 21st Century