

The Calculus behind the ROK–DPRK–Russia Gas Pipeline Project

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Expectations are mounting that Russia may be able to thaw the frozen South–North Korean relationship with new heat fueled by a gas pipeline. The DPRK–Russia summit on August 24th generated buzz about plans for a Russian gas pipeline passing through North Korean territory and terminating in the South. According to current reports, work on this gas pipeline has actively begun in several areas. In early August at a ROK–Russia ministerial meeting, the Russian foreign minister affirmed his government’s intention to push forward and make the gas pipeline project a reality. According to the statement released after this recent DPRK–Russia summit, North Korea has reached a common understanding with Russia on various issues including connecting rail and gas lines, and both sides have agreed to cooperate in forming and operating a working group for the project. In South Korean domestic politics, after a meeting with President Lee Myung Bak, Grand National Party Rep. Hong Joon Pyo stated that he expected to hear some good news for inter–Korean relations at the ROK–Russia summit meeting in November. GNP Rep. Park Geun Hye also mentioned the gas pipeline at a press conference, saying the project would bring real benefits to both Korea and Russia and expressing the opinion that once the pipeline was in place it would be difficult to shut down.

If work on the gas pipeline through North Korea finally gets on track, it will show off Russia's role as mediator and create another inter-Korean cooperation project. Hopeful assessments of the gas line project predict it will bring multiple benefits for the three countries involved. In short, it provides an opportunity for Russia to sell its resources while acquiring new influence on the peninsula, and allows North Korea to rake in potentially \$150 million in transit fees. South Korea will benefit from lower prices on Russian gas thanks to the cheaper transit route. The project could also open new avenues for contributing to stability on the peninsula.

However there is more to this than meets the eye. The gas pipeline project cannot be evaluated solely based on expectations. An unavoidable question is whether inter-Korean economic cooperation can be handled independent of political developments. In fact the precise cause-and-effect relationship between politics and economics has long been a controversial issue even in academic circles. But in the history of inter-Korean relations, there is ample evidence to back up the contention that politics generally trump economics. Most recently, on the 22nd of last month North Korea unilaterally announced that it was taking legal action to dispose of assets at the Mt. Kumgang resort owned by South Korean businesses. For its part South Korea, as part of its 5.24 sanctions package against the North in response to the Cheonan incident, terminated all inter-Korean economic cooperation with the exception of the Kaesong Industrial Complex. Thus it is fair to say that economic projects are vulnerable to cancellation for political reasons by either the South or North Korean authorities.

Broadly speaking, there are two reasons why politics tend to trump economics in inter-Korean affairs. First, each side poses an existential threat to the other. In such a case security must always take priority over other concerns. The reason North Korea cannot pursue reform and opening is due to the awareness that information about South Korea and the outside world could flow into the country through the process of economic reform, and this could shatter the regime's foundations. Second, within both South and North Korea the groups which stand most to benefit from economic cooperation are clearly limited in their ability to shape government policy. The ruling class in North Korea has built up its economic relationship with South Korea in such a way as to minimize the threat from the South. Also, the economic benefits of these projects rarely reach ordinary North Korean citizens, instead flowing mainly to the elite classes. Even if the benefits of inter-Korean economic cooperation were to completely evaporate, these elites would merely be inconvenienced; they would be able to find similar benefits from other sources. Moreover, as there is no bottom-up pressure exerted upon the ruling classes by

North Korean citizens, it is hard for economic issues to impact seriously on politics. Even in South Korea, where such bottom-up pressure does come into play, the majority of public sentiment does not sympathize with the argument that economic issues must be viewed apart from security threats of the sort seen in the attacks on the Cheonan and Yeonpyeong Island.

There are likely to be many twists and turns in the process of linking the gas pipeline. Even if our three countries can overcome these obstacles and complete the project successfully, there will always be a danger that one day the North might shut down that gas supply for political reasons. The Russian government may believe that they can control North Korea, but realistically speaking they lack sufficient means to do so. Russia may consider that it has sufficient leverage since it is a major supplier of military equipment to the North, but in the South Korean view that is not enough to guarantee a steady, reliable supply of gas through the pipeline. Regretfully, South Korea and Russia are in the same boat in terms of their lack of leverage over North Korea.

Not long ago the North's media mouthpiece for propaganda aimed at the South declared, "We hold sovereignty over the international tourism zone at Mt. Kumgang, and thus all property within the zone may be disposed of in accordance with our laws, without any need for consultation with the South." This same pretext could just as easily be applied to a gas pipeline passing through North Korean territory. Priority must be given first to establishing an adequate means of leverage over the North, and we must be duly concerned about the possibility that the North might gain a significant means of leverage over us. North Korea may try to manipulate us by blocking the gas pipeline, but we cannot use the project to manipulate them. We must bear this in mind if construction of the pipeline proceeds. Since there are such enormous expectations surrounding the project, there will be many niggling issues which must be handled with care. We should reflect upon the words of Professor Joseph Nye who remarked, in a recent interview with the Korean media, that economic issues are often determined by the political framework.