

Russian Policy towards the Korean Unification

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The article highlights the security problem of the Korean Peninsula and the related Russia's policy, as well as identifying the major differences between the Korean policy of the USSR and Russia. The analysis is focused on the main factors that can affect Russia's position with regard to the Korean unification at the moment — such as the “Ukrainian crisis,” “sanction regime,” “Russia's turn to the East” and realization of the Silk Road Economic Belt planned by China. Another part of the analysis is focused on such subjects as: possibilities to realize multilateral projects by Russia, South Korea, North Korea, and China; prospects for unification of Korea as well as the opportunities that Russia could gain therefrom. Besides, the article offers recommendations for the more active cooperation between Russia and South Korea.

In general, activation of Russia's policy vis-à-vis North Korea is mostly of demonstrative nature. It shows intents, first, to demonstrate to the EU and U.S. that the policy designed to isolate Russia is insolvent, and second, to find a counterweight to balance the growing dependence on China. The announced economic projects most probably would not be realized or, if otherwise, will be done on the minimal, “advertising” scale.

The full-scope of cooperation with South Korea would not be possible unless Korea is unified — for example, in the form of North Korea's absorption by the South Korea.

Keywords: Security, Korean Peninsula, Unification, the role of Russia, Russia's turn to the East

Russian Policy towards the Korean Unification: The Recent Changes

In the short-term perspective, the new Russian tilt towards North Korea can influence the relations between South Korea and North Korea. Russia can start to repeat the North Korean demagoguery about

the North-South dialogue resumption without any conditions.

In that context, President Park Geun-hye's tough policy (departure from Sunshine Policy and the continuation of cooperation only in the case of reciprocal steps by North Korea) and Seoul initiatives (Park Geun-hye's Eurasia Initiative) appear to be effective. However, the development of engagements excluding the real intentions of the North Korean regime seems to be dangerous. The North Korean regime is not ready for a real dialogue (even less ready than during Kim Jong-il's reign).

In 2013, North Korea declared itself as a nuclear weapons state (the corresponding changes were amended in its constitution). This means the impossibility of holding the six-party talks, and therefore, needing to change the approach to the talks. There is a possibility that Russia can continue to support the six-party talks (in fact it is a discussion of changes in the Constitution of North Korea now) and but not the firm position of Seoul.

The modern Russian policy towards the Korean Peninsula is determined by traditional and new factors.

Traditional factors are still the same: Russia as a responsible nuclear power does not recognize North Korea's rights of possession of nuclear weapons; Russia supports the unification of North and South Korea on a market basis; Russia is ready for cooperation with North Korea but the political regime of North Korea does not contribute to this.

New factor is the worsening of relations with the U.S. because of the Ukrainian crisis. This is an indirect influence rather than direct. Under the conditions of "war of sanctions," Russia is looking for cooperation in the East as an alternative to one with the EU and the United States. Main partner is China. But because of the fear of overdependence, Russia is trying to find a balance between China, Japan, and South Korea. At the same time, Japan joined the sanctions regime, and the development of cooperation with South Korea is not enough to balance the overdependence on China.

Against this background, the idea to develop cooperation with North Korea was raised. In addition, the fact that North Korea is

under the regime of UN sanctions also attracts the interest of Russian political elite.

This interest in North Korea as one of the partners in the East determines the economic and diplomatic policy of Russia. In 2015, the activity in terms of visits to North Korea by Russian officials and meetings with North Koreans in the territory of Russia was quite frequent.

In March 2014, Russian Minister for the Development of the Far East Alexander Galushka visited North Korea.¹ In February 2015, Moscow hosted the first meeting of the Russia-DPRK Business Council.²

In the same month, there was a meeting between the Minister of Foreign Economic Affairs of the DPRK Ri Ryong-nam and Vice Governor of Khabarovsk Region Sergey Schetnyov.³

In April 2015, Pyongyang hosted the 7th meeting of the Intergovernmental Commission on Trade-Economic and Scientific-Technical Cooperation with Russia.⁴

The meeting of the Commission was attended by such large Russian companies as "RusHydro," "Gazprom," "Sever," and "Northern Mines" ("*Severnye priiski*").⁵

In July, Russian businessmen visited the DPRK to promote projects in the field of iron and steel, including producing cold-rolled steel, upgrading the capacity of the Kim Chaek steel complex, and increasing pig iron production.⁶

In September 2015, during the East Economic Forum, Alexander

1. Andrei Lankov, "Who benefits from Russia's breakthrough using North Korea?" (in Russian), *Slon*, June 9, 2015.

2. Russia, Ministry for the Development of the Russian Far East, "Enhancing cooperation of Russia-North Korea was discussed at the Eastern Economic Forum" (in Russian), September 3, 2015. Retrieved from: http://minvostokrazvitiya.ru/press-center/news_minvostok/?ELEMENT_ID=3590.

3. "What is to Learn: Russia and the DPRK Strengthen Cooperation" (in Russian), *Agentstvo Biznes Novostej*, March 11, 2015.

4. Ibid.

5. Ibid.

6. Ibid.

Galushka and Ri Ryong-nam discussed the implementation of the decisions and arrangements of the 7th meeting of the Intergovernmental Commission on trade-economic and scientific-technical cooperation between Russia and the DPRK.⁷

The main themes in Russian-North Korean cooperation remain: construction and modernization of infrastructure, exploration of the natural resources, and the recovery and renovation of enterprises built during the Soviet Union.

In theory, trade and investment cooperation plays a positive role. However, Russian plans do not take into account the specificity of North Korea: command and distribution system, black/gray economy, and quasi-market activity in the absence of a legal field, closed and totalitarian nature of the regime that spurns changes, as well as the nuclear factor.

These circumstances are likely to lead to the situation where projects fail to be realized, or stop functioning after the implementation.

Only one shipment of coal was made through the port of Rason. Due to the economic crisis in Russia, further plans for the construction and renovation of North Korean infrastructure are yet to be scheduled. Russian companies lack capital to do so. The Russian government finances are allocated to maintaining social stability domestically, integrating Crimea, and most recently to executing the Syrian campaign. Private investment is doubtful as there is no guarantee from Pyongyang. For this reason, it is very difficult to carry out multilateral projects.

Russian activity in North Korea has rather a demonstrative and anti-American nature. This fact could affect the Russian-South Korean relations since South Korea is perceived as a pro-American country. Despite the fact that South Korea has not joined the sanctions regime, the volume of South Korean capital is low.

Hence the conclusion is that projects with North Korea will not be realized, or will be implemented in the minimum scale. In the case of activation of Russian-South Korean cooperation (foreign direct

investment), the new stage of cooperation between Russia and South Korea will begin.

In the article, the Russian policy towards the Korean Peninsula is considered in a historical context.

Union of Soviet Socialist Republics Policy towards the Korean Peninsula

The Union of Soviet Socialist Republics (USSR) officially supported the idea of the Korean unification on the conditions of the “Korean Federation” proposed by its official ally North Korea, at that time.⁸ Back then, Russia had no political, economic, and cultural ties with South Korea while it was North Korea’s main economic and security partner. As part of the official Soviet policy, North Korea stood on the side of the Soviet security camp while the South was a “U.S. security satellite.”⁹

In reality, the USSR opposed the unification idea because of the following reasons.

Firstly, then-socialist Moscow assumed that the unification would terminate the bilateral military-political alliance with Pyongyang and would render the capitalist expansion on the Korean Peninsula.

Secondly, Moscow calculated that American military bases, stationed in South Korea, will move closer to the Soviet border after the unification.

Thirdly, Soviet leaders believed that it was impossible to unify capitalist and communist systems (actually, they were certain that western capitalism will collapse in the short-term).

Fourthly, there were concerns that the unified Korea could question the status of Russian Far Eastern territories where a lot of Korean

7. Ibid.

8. Vasily Mikheev and Alexander Federovskii eds., *Inter-Korean Relations: Political Role of Regional Powers* (Moscow: IMEMO RAN, 2014), p. 31.

9. Vasily Mikheev and Vitaly Shvydko eds., *Problems and Prospects of the Evolution of the Transpacific International Security System* (Moscow: IMEMO RAN, 2014), p. 46.

Russians were residing.

So, while officially backing the principles of Confederation raised by North Korea, the USSR did its best to prevent Korean unification.¹⁰

The collapse of the USSR changed a negative perception of the Korean unification by post-Soviet Russian political elites.

Russia Policy towards the Korean Peninsula

Nowadays, Russian approach to the Korean unification has changed to neutrally-positive. It is positive because of following factors.

Firstly, Russian variant of market-democracy reforms makes Russia no more a strategic enemy to the U.S. Even after the Ukrainian crisis, the U.S. and Russia are not enemies any more. Two countries may have different approaches to some international and domestic issues. But they have common interests in global and regional security.

Secondly, the Korean unification will automatically mean the conclusion of the North Korean nuclear issue. It will provide stronger security in Northeast Asia — a vital interest of Russia. To implement the government program, introduced in 2007, aimed at stimulating socio-economic development in the Far East where it has been lagging behind, Russia needs the Far East to remain stable.

Thirdly, the factor of unified Korea will allow implementing such extremely important projects for Russia as the Trans-Korean Railway, Trans-Korean gas pipeline, free port of Vladivostok, etc. Unified Korea will add the Trans-Siberian Railway and Baikal–Amur Mainline the value of which will fall once the Chinese Silk Road economic belt operates in full force. The prospective line of the Silk Road passes through Kazakhstan, connects to the Russian railways near the city of Chelyabinsk, and enters the countries of Eastern Europe after crossing Belarus, formally debilitating the eastern part of the Trans-Siberian Railway in transit trade flows.¹¹

10. Alexei Arbatov, Vladimir Dvorkin, and Sergey Oznobishev eds., *Korean Nuclear Crisis: Prospects of De-escalation* (Moscow: IMEMO RAN, 2013), p. 28.

11. Vasily Mikheev and Vitaly Shvydko eds., *Disbalances of the Transpacific Area* (Moscow: Magister, 2014), p. 125.

Fourth and the main factor, unified Korea is expected to consume much more Russian oil and gas.

Russian approach to the Korean unification is “neutrally” positive because of a few reasons.

Firstly, the problem is that, officially, Russia maintains diplomatic relations with two Korean states — the DPRK and the ROK. In other words, Moscow should diplomatically and formally respect interests of both Pyongyang and Seoul. And, as we know, formally, both Koreas insist on different “unification” formulas.

This puts Russia in an uncomfortable place. Russia should officially agree with the unification formula proposed by both North and South Korea. However, pragmatically, Moscow, on the unofficial level, undoubtedly understands that the only politically-realistic form of the unification is the South Korea’s absorption of the totalitarian North based on free market economy and liberal democracy practiced by the ROK.

Secondly, according to the ROK Constitution, its territorial jurisdiction extends to the whole Korean Peninsula and the North Korean regime is deemed illegitimate. That is, not only politically but also legally, absorption is the only feasible means to the “unification” of Korea. Considering historical trends — the collapse of socialist system in Europe and the German unification —, Russia is well aware that totalitarian socialism existing in North Korea cannot be reformed and integrated into free market economy and democracy, but only be wholly replaced by a new system.

However, diplomatically, Russia cannot support only one side in its attempt to balance between the North and the South. So, Russia avoids discussions on what form of unification is preferred by Russia on the official level.

Thirdly, the Korean issue is not the focus of contemporary Russian foreign policy. Current Russian foreign policy has two main pillars. One is to diplomatically support Russian natural resource and financial sector in global markets. In North Korea, there are neither large gas and oil reserves nor financial markets and privatization programs.

Fourthly, Russia, remembering the experiences of German unifi-

cation and market reforms in Eastern Europe, clearly understands that active support for the Korean unification (absorption) means to invest in restructuring North Korea. Preoccupied with domestic economic and social problems, Russia is not willing to be in the first line of the investors in North Korea's reform.

Fifthly, Russia sees risks in Russia–South Korea economic and financial cooperation once the South pours large sums of money into the North Korean reconstruction. Korean unification means that the already small South Korean investments in Russia will be even less because South Korean capital will be focusing on former North Korea.

Russian positive but neutral approach towards the Korean unification can become more proactive when the real absorption process starts.

Trilateral Cooperation

In the Soviet period, the idea of trilateral cooperation among the USSR, DPRK and South Korea was set forth by supporters of progress in the Soviet–ROK relations. The idea was to attract South Korea to economic cooperation with Russia and thus to build the economic basis for the future diplomatic relations. For North Korea, a sort of compensation was offered in form of building railroad and pipeline infrastructures and electricity supplies.

At that time, the Soviet Union was Pyongyang's main economic partner and therefore hoped to persuade the latter into the trilateral cooperation.

Today, Russia's motivation is different. Initially, Russian state-run corporations ("Gazprom," "Russian Railroads," and "Rosenergo") saw some economic advantage in the trilateral cooperation idea. But, as Pyongyang rejected market reforms and the situation on the Korean Peninsula aggravated because of the North Korean nuclear program, the practical interest of Russian business in these projects subsided.

Economically, the idea of trilateral projects appears as having no prospects until North Korea undertakes real and positive market transformations. Before that, the projects would be stuck at the stage

of preliminary discussion. Meanwhile, the better North Korean reality is known by Russian businesses, the less enthusiasm the latter has about the long-term capital-intensive cooperation.

Such attitude is reflected, for example, in the Russian "Gazprom" position on the trilateral cooperation. "Gazprom" does not want to undertake the risks incurred in the gas pipeline construction and would prefer to relay those onto the South Korean counterpart, as it has no trust in what Pyongyang guarantees.¹² Seoul's refusal to undertake the risks is interpreted as "the main reason" for which the Gazprom suspended the project development.

The pragmatic understanding of prospects for the trilateral projects is dictated by the fact that nothing has actually been done during the twenty plus years that passed after the start of the talks on this subject.

The only exception is found in the 50km railroad section between the Russian–North Korean border and the port of Rason — put into operation recently after the over 10-year-long construction. However, this case cannot add arguments in favor of trilateral projects, because:

- first, this relatively short section of the railroad is a bilateral Russian–North Korean project and does not have a direct connection with the trilateral railroad project;
- second, this railroad section was built in the interests of Russian coal companies (especially, "Mechel") that would like to use the warm-water port of Rason for their coal exports to South Korea, Japan, and other Asian Pacific countries; and
- third, the real tonnage capacity of this section is minimal and this applies not only to the cargo flows but mainly to the capacity of the one-lane railroad bridge connecting Russia and North Korea over the Tumen river.

The regional elites of the Russian Far East stand against the bridge reconstruction as they see it as a threat of influx of North Korean illegal

12. Vasily Mikheev and Vitaly Shvydko eds., *Problems and Prospects of the Evolution of the Transpacific International Security System*, p. 46.

migrants and trafficking, and do not see any big economic dividends to be brought by the required huge financial costs (probably at the expense of the regional rather than the federal budget).

The China Factor

In cooperation with North Korea, the “Chinese factor” cannot be ignored. China’s new economic policy resulting in “slowdown” of its GDP growth pushes the Chinese capital to look for compensation of domestic “losses” through building up its external activity. This drive is in line with the foreign-policy plan of the PRC leadership intending to consolidate Beijing’s global political and strategic positions through the global expansion of the Chinese capital. China’s foreign policy is becoming ever more strongly aimed at clearing the world markets for the Chinese business both in developed and developing countries.

The major strategic novelty of Xi Jinping’s leadership is seen in the Silk Road economic belt idea, which suggests building of transport corridors from the Pacific Ocean through to the Baltic and Mediterranean Seas as well to the Indian Ocean.

By this design, construction of the Silk Road will enable China to circumvent the differences that took shape within the Shanghai Cooperation Organization (SCO) in relations with Russia regarding the space of Central Asia, and to take the leading positions in relations with the countries of Central Asia and the whole post-Soviet space.

This idea is not counter-posed to Russia or its plans to build the Eurasian Union on the space of the Commonwealth of the Independent States (CIS). However, the project can become the first international megaproject of strategic importance under the guidance of China. As far as Russia is concerned, such prospects seem to be of dual nature.

On the one part, Russia can receive economic benefits from modernization of its transport networks at the expense of Chinese capitals. On the other part, should the Silk Road strategy be successful, Russia will find itself in the “follower” position within this long-term project.

China’s foreign economic expansion in general and the Silk Road idea in particular would have the following implications for the Russian-Chinese relations along the Korean vector:

- First, North Korea remaining a closed country does not fit with the Chinese Silk Road concept. Meanwhile, South Korea is seen as a most important starting point for realization of the idea to link the Pacific with Europe and other regions. South Korea’s involvement in Chinese projects would generate stronger competition between Russia and China for South Korean financial resources.
- Second, the fact that the Silk Road is seen in Russia as a project competitive to the Russian Trans-Siberian Railroads can motivate Russia for further advertising of trans-Korean projects involving Russia, but not China.
- Third, realization of the Silk Road megaproject would exert additional pressure on North Korea. With proper coordination of Russia’s and China’s policy with the six-party members, this circumstance can be used for positive influence on those forces in North Korean society that potentially would serve to support positive market transformations.

Changes in Northeast Asian Security Environment: The Impact of the Ukraine

North Korea remains to be an impediment to the new security environment in Northeast Asia. Its latest nuclear and missile activities and the threat to conduct another nuclear test provokes growth of tension in the region.

However, the North is not the main risk and not the main impediment nowadays — after the Ukrainian crisis. The worsening of Russia-U.S. relationship turns into the main problem for the regional, as well as global security architecture.

In both the Russian and the Western camps, there are military-oriented politicians and experts, who benefit from the growth of military expenditure. Such people feel comfortable in the old political-ideological paradigm of the Cold War confrontation.

However, some positive balancers exist.

Firstly, China is shifting to a pragmatic and reasonable attitude to North Korea, based not on anti-Americanism but on mutual (with other countries) understanding of the regional military and security threats. So, China turns into a constructive, not destructive element of the Northeast Asian security environment.

Secondly, Northeast Asian countries do not have a very harsh attitude towards the Crimea and Ukraine. Asia-Pacific countries do not see direct security threats in the Ukrainian crisis, with the exception of the incumbent Australian government and, partly, Japan, which promotes its Russian policy under strong American pressure.

Thirdly, the most important “factor of hope” is that Russia and the U.S. have eternal common security interests: nuclear stability and non-proliferation, cooperation in space, anti-terrorism, the removal of the self-proclaimed Islamic State (ISIS), etc. And the North Korean nuclear problem is one of them.

The future of the Northeast Asian security environment will depend upon whether Russia and the U.S. learn how to cooperate in Northeast Asia in the situation when the Ukrainian crisis remains unsolved.

All the participants of the six-party talks have a common interest on the Korean Peninsula, which is the full nuclear disarmament of North Korea.

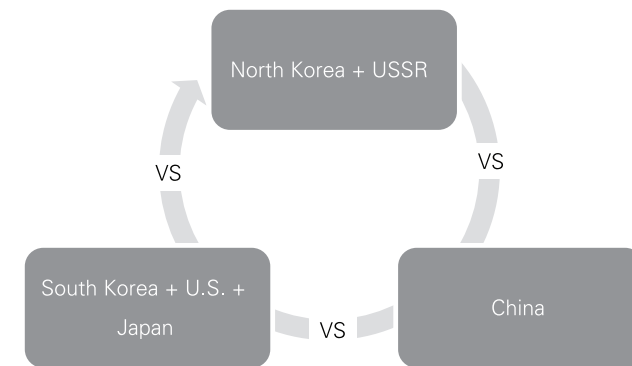
On the other hand, each of the five countries has its own specific interests and nuances in the policy towards Korean Peninsula.

For the U.S., the main and specific interests coincide: that is, nuclear disarmament. Specific interest of Japan is returning of all the Japanese abductees.

The specificity of Russian, Chinese, and South Korean approaches towards Pyongyang is determined by the fact that all these countries share border with North Korea. Complete social and political collapse in the North creates serious risks of mass outflow of North Korean refugees to neighboring countries’ territories. Thus, the main specific interest of the “three neighboring countries” (Russia, China, and South

Korea) is pushing for market reforms in North Korea in order to achieve economic improvement. South Korea has its own great interest, which is the unification of Korean nation.

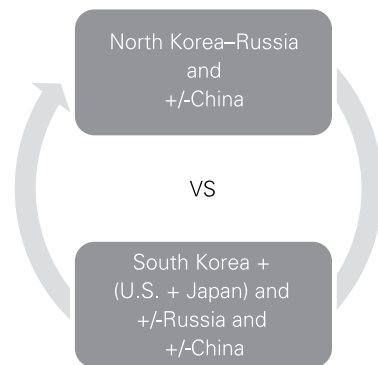
During “Cold War” years, Moscow and Beijing basically sided with each other to confront South Korea, the U.S., and Japan. Nevertheless, confrontation between the former USSR and China undermined North Korea’s position. So, the formula of relations surrounding the Korean Peninsula at that time looked like this:



The turnabout in Russia-China relations over the policy towards the Korean Peninsula came in early 1990s and was caused by the following.

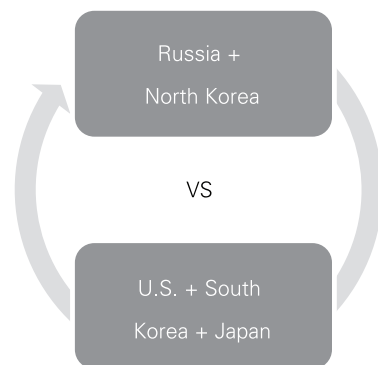
- Soviet political and economic system collapsed,
- China started positive transformation towards market economy,
- South Korea moved towards democracy while North Korea retained its totalitarian system.

As a result, the formula of international relations on the Korean Peninsula changed to:



Such a change made the North Korean regime nervous over its own security and facilitated its initiation of nuclear and missile program.

The Ukrainian crisis gave a birth to a new breed of Russian political thinking towards North Korea. Some experts and politicians in Moscow underline “a common basis of anti-Americanism” in Russian and North Korean security interests. Both countries are under Western sanctions. This, as they think, could be a new ground for Russia–North Korea cooperation under the new Russian strategy of turning to the East. Turning only to China is not enough, so some political circles in Russia look for additional partners in the situation of Russia–U.S. confrontation because of Ukraine. If this works out, we could see a comeback to the old scheme:



However, such a scenario seems unrealistic.

Firstly, Russia continues to follow strongly its non-proliferation commitments.

Secondly, any economic assistance to North Korea will not work efficiently until the real market reforms and openness in North Korea. Russian private sector will not risk with uncertainties in the North Korean economy.

Thirdly, Russia government is pre-occupied with the Crimea, East Ukraine, Syria and dire social and economic situation in Russia. It does not have spare financial resources to help the North.

Fourthly, the character of sanctions against Russia (the Ukraine) and the North (the nuclear and missile tests — supported by Russia as well) are different in nature.

Finally, but very importantly, the situation cannot return to the Cold War times due to China, which considers the North not as an ally but as a troublemaker that imposes nuclear risks on China’s security.

Korean Unification: The Role of Russia

Russia can play its positive role in the process of the Korean unification at all stages:

- the stage of North Korean involvement in reforms;
- the stage of North Korean adaptation to market principles;
- the first stage of the unified Korea’s development.

At the same time, Russia’s role will not be the main and leading one. Here, South Korea and China will assume the primary role.

At this point, it is important to understand what Russia can do and what cannot be expected of it. Here, delusions within Russian diplomatic and expert community are in overabundance.

The first delusion is that Russia currently has to “reserve” its positions on North Korea to cope with China’s influence. It has pre-determined recent ideas about launching a pipeline via North Korea,

a railway construction, etc.

Such diplomatic logic roots in the Cold War period, when Moscow's diplomacy was oriented towards the containment of an adversary and strengthening its own positions. Currently, in the era of globalization, countries are partners and competitors but not adversaries. The very nature of globalization means placing an increased number of international problems at the global level and objectively strengthens the cooperative rather than confrontational development paradigm.

The reason why the old way of thinking has not changed with regard to North Korea is that Russian businesses — and consequently, Russian *Realpolitik* — do not have interest in devastated, and politically unstable North Korea with insufficient oil and gas resources.

The fact that Russian diplomacy clings to the old thinking in relations with the DPRK and at the same time, to the new thinking in relations with ROK creates a duality of Russia's policy towards the peninsula: an attempt to flirt with the North and simultaneously create a new type of strategic partnership with the South.

The second delusion is the idea of a gas pipeline. Its realization is possible only after the two Koreas are unified on market-democratic principles. After the unification, the construction of a pipeline via the Korean Peninsula, as well as the realization of other projects currently belonging to trilateral cooperation, will become Russia's substantial and real contribution to the unification of Korea and define Russian role in this process.

In case the present North Korean regime stays in power, this project cannot be realized for a number of security, political, economic and financial reasons:

- the persistence of military and nuclear threat from the North creates insurmountable security risks to the project;
- the preservation of the current North Korean regime, whose key factor of survival is a policy of nuclear blackmail, creates a risk of manipulating Russia's gas supplies to South Korea;
- the absence of market economy in North Korea creates economic and financial risks of investment non-return and the lack of compen-

sation for possible losses in case problems between the supplier and the transit party arise since there are no mechanisms of dispute resolution in North Korea generally accepted by the current global economic practice.

- the mountainous landscape increases costs for the pipeline construction. A financial effectiveness of the pipeline comparing to that of LNG deliveries is not evident.

The third delusion is a reconstruction of 70 industrial enterprises established in North Korea with Soviet assistance.

Mostly, these enterprises are not only physically decrepit but also morally and technologically outdated. The unified Korea will have to create a new innovative, industrial and infrastructural basis in the North — the policy the unified Germany pursued towards the economy of East Germany — the most developed economy of the socialist block in innovative terms.

Another illusion is assumptions that Russia, motivated by economic and political reasons, will make a financial contribution to the reconstruction of the North.

In practical terms, Russian assistance to North Korea will be limited by its obligations within the six-party talks and UN humanitarian mission.

Russia's participation in the pipeline construction and the implementation of other projects, regardless of whether two Korean states with free market co-exist or Korean unification is achieved, will be probably implemented in accordance with the following pattern: South Korea's (or unified Korea's) provides finances to the North, followed by a subsequent purchase of Russian resources by this fund.

At the current stage, Russia's role in the Korean unification is primarily of a politically-consultative nature:

- To Russia's interest, a market-democratic way of Korean unification is advantageous.
- Russia can participate in the realization of Korean unification by means of (1) political support and (2) consultative assistance based on its experience in marketization of militarized socialist economy.

Unification Prospects

The current phase of North Korea's development is the last phase in the existence of the North Korean totalitarian regime. The North Korean economy and political systems have undergone the profound structural crisis.

The command-distribution economic model with the priority of military construction does not work and cannot provide the population with foods and daily consumption commodities.

The absence of the domestic market of production and consumption plus the self-isolation of North Korea produce the growing social tensions.

Following Kim Jong-un's advent to power, the totalitarian political system started to fade away. Notwithstanding his broad authority, Kim Jong-un does not possess such absolute power and political charisma as Kim Jong-il did. In such circumstances, the power struggle of clans "under" Kim Jong-un is growing. Cherished by some foreign researchers, the hopes that the new North Korean leader would start the reforms himself turned out futile.

As evidenced by the most recent nuclear-missile tests, the Pyongyang regime does not intend to take the road of market reforms and openness as it sees the latter as a threat to its power. In order to survive, it is applying Kim Jong-il's usual tactics of nuclear blackmail.

Pyongyang's calculation is to receive tangible foreign aid in exchange for its regularly given promises to freeze (but not to stop irreversibly) nuclear tests. However, the pattern of "nuclear promises for money" stopped working under the recent administrations of the U.S. and South Korea that demand Pyongyang's concrete actions rather than mere promises in the field of nuclear disarmament.

In 2013, the position of the North Korean regime was weakened rapidly by the change in China's position. After the last nuclear test in North Korea, the new Chinese leadership tightened its approach to Pyongyang (blocked North Korean accounts in Chinese banks, reduced aid, fortified the frontier, etc.).¹³ The arguments of Pyongyang stating that North Korea is a "buffer" providing the military and

political protection to China against the U.S. (like the arguments of Kiev stating that Ukraine is a "buffer" providing the military and political protection to Europe/"civilized world" against Russia) are no longer effective. Moreover, Beijing sees the North Korean policy of confrontation as a pretext being used by the anti-China forces in the U.S. for building-up the U.S. military presence in Asia-Pacific counter to China's interests.

In 2013, the new North Korean leadership made a serious miscalculation in the conduct of its usual nuclear-blackmail policy. In the past, Kim Jong-il managed to pump up the situation to the almost ultimate level and then began talks with the U.S. and South Korea to "entertain" all actors in the six-party process. In 2013, however, Kim Jong-un crossed the line: the situation was heated to the maximum (through the calls on all foreigners to leave not only Pyongyang but Seoul as well). In such a situation, Pyongyang's next move could be nothing else but a start of hostilities, from which the North Korean regime refrained, as its rapid defeat in the war was largely realistic.

As a result, Pyongyang's actions of the early 2013 scared nobody, and the North Korean regime lost its major trump-card of fanning-up the situation and receiving money in exchange for talks. North Korea's usual policy got stuck in the blind alley and this fact aggravates disagreements within the North Korean elite.

The North Korean societal model exhausted all historical resources for development and will not be able to provide sustainable viability of the political regime in the mid-term future.

In such conditions, the political collapse can take place in the North anytime, if a powerful political "trigger" comes into action. The similar situation was observed in the former Soviet Union when the putsch of August 1991 functioned as such a trigger.

So far, it is not clear as to what would serve as a political "trigger" for the collapse of the North Korean regime and when this might

13. Vasily Mikheev, Sergey Lukonin, and Jeh Sung Hoon, "Multivariance: Xi Jinping's Big Strategic Answer" (in Russian), *Mirovaya ekonomika I mezhdunarodnye otnosheniya* 59 (World economy and international relations), no. 12 (2015), p. 7.

occur. However, the probability for the avalanche-like course of events is growing.

Such prospects make all countries including Russia, concerned with the events on the Korean Peninsula be prepared for the historic changes in North Korea — the regime replacement, economic reforms, initiation of the open-door policy, and an outcome of the positive changes — for the process of Korean unification that would follow the collapse of the North Korean regime and take place on the market-democracy basis of South Korea.

Another probable scenario is that the two Koreas would coexist for a certain period of time while the North would be learning “to catch fish in the market economy.”

Conclusion

In general, the Russian policy towards the Korean Peninsula (the unification of Korea under the terms of the absorption of North Korea by South Korea) has been changed compared with the policy pursued by the Soviet Union and now is neutral-positive.

The Ukrainian crisis could have an impact on cooperation with South Korea in terms of Russia’s efforts to build a constructive relationship with all stakeholders.

At the same time, cooperation with North Korea will carry a symbolic and demonstrative nature. Here, the main goal is to demonstrate that the EU and the U.S. attempt to isolate Russia failed.

Russian-North Korean projects will not be carried out or, even if it is, the extent of their implementation will be minimal. Russian business will not take an active part in the construction/modernization of infrastructure in North Korea, as it suffers from a lack of capital for development programs, even in Russia.

Implementation of tripartite projects is also doubtful from the Russian side for the reasons mentioned above. Their implementation is more likely at the cost of South Korea or China.

Theoretically, implementation of the Chinese concept of the Silk

Road economic belt can help strengthen cooperation between North Korea and Russia in terms of the construction of transport routes, however, this scenario will not be implemented because it is not economically efficient.

Russia will not conduct an “ideological policy of friendship” to support North Korea with tangible resources and capital, because the basic resources are spent on the maintenance of social stability in the country, integration and re-innovation of Crimea, problem of East of Ukraine, and most recently in the Syrian campaign.

At the same time, the need to balance with China’s growing dependence, the factor of the Silk Road, and the sanctions regime will enhance cooperation between Russia and South Korea. It is important not to miss a historic opportunity to build a strategic partnership with South Korea.

In modern conditions, the North Korean regime is not able to modernize itself and will stagnate with a gradual destruction in the short and medium term. In this form of self-isolation, it is not able to create legal and economic conditions for the development of the capitalist type of economy. Black and gray economy will grow, which will eventually lead to the collapse of the regime.

In these circumstances, it is advisable to continue and develop the policy of engagement:

- continue and develop cultural exchanges;
- encourage an increase in the number of mobile phones in North Korea that can connect to the Internet and play video (assuming the satellite signal coverage in North Korea);
- organize inter-Korean and multilateral sport games, competitions, cultural events, etc.;
- establish a cooperation program with North Korean kindergartens and schools, with a focus on educational cooperation;
- to establish an Korea Unification Fund with a focus on the financing of the integration of North Korea into South Korea’s economy;
- develop a plan for long-term projects (strategic plans of megaprojects) that will be implemented by South Korean companies in North Korea after the unification;
- develop a humanitarian program for North Korea in the event of an

- unexpected collapse of the regime;
- develop a program of social and economic reforms, in the case of the collapse of the regime;
- cooperate with North Korea. This should be pursued based on the policy of “concession after concession,” bilateral business projects should be carried out only when the project entails genuine efficiency and profitability.

In general, Russia is interested in the unification of Korea under the terms of the South, and will not oppose this process of absorption. However, Russia will not be able to play, in this process, the leading role for the objective reasons.

However, the solution of the Korean Peninsula problem opens up good prospects for cooperation between Russia, South Korea, China, the U.S., and Japan in terms of security cooperation and the establishment of a new type of relations in Northeast Asia, and it's very unprofessional not to take the advantage of this chance (even ignoring the opinion of North Korea).

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