

## **Russian Influence on North Korea: Views of Former South Korean Ambassadors to Russia**

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Russia and North Korea have a historical relationship dating back to the beginning of the Pyongyang regime. The former Soviet Union had participated in the Korean War and its Air Force supported the communist forces on the ground. Moscow was the major donor in the reconstruction of postwar North Korea. The North Korean nuclear program had been initiated with Soviet equipment and training of nuclear scientists. Russia is a permanent member of the United Nations Security Council. All of these factors make Russia one of the countries with the most influence over North Korea. However, after Moscow had established diplomatic relations with the Republic of Korea in 1990, there were ups and downs in the relations between Russia and North Korea. First, the period from 1990 to 1995 was the worst time for Russia-North Korea relations. Second, Russia's influence was regained after the new treaty on Friendship, Good-Neighborly Relations and Cooperation with the North was signed. Moreover, the first trip for a Russian leader, Vladimir Putin, to North Korea was made in 2000. Third, since the beginning of the second North Korean nuclear crisis in 2002, Russia became an active participant in the Six-Party Talks. Russia realized that a balanced diplomacy toward the two Koreas works better for the interests of Russia rather than the pro-South Korean stance in the first few years of the early 1990s. In the 2000s, the overall relationship between Moscow and Pyongyang has improved. The railway connections of the TSR and TKR, and the construction of oil and gas pipelines through the Korean peninsula have been under discussion among Russia, North Korea, and South Korea. However, the process has been slow. The author has interviewed the former South Korean ambassadors to Russia in order to gain first-hand knowledge of Russia-North Korean relations. As to the overall Moscow-Pyongyang relations, the author shares the same views as the Russian experts about South Korea. However, they emphasized one particular point—North Korea's debt to Russia. This was an issue that was rarely discussed in South Korea. In June 2012, Russia announced that 90 percent of the North Korean debt could possibly be written off. If the Russian initiative is approved, North Korea could join and initiate new projects with Russia. The Seoul government should be

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able to join the trilateral cooperation among Russia, North Korea, and South Korea. The Ambassadors' advice needs to be taken seriously.

**Keywords:** North Korea's debt to Russia, South Korean Ambassadors to Russia, Russia-North Korean relations, North Korean nuclear issue, South Korea's Russia policy

## Introduction

When the administration of Roh Tae-woo was pursuing "Northern Diplomacy," the goal of the policy was described as "To Pyongyang via Moscow and Beijing." At the San Francisco meeting in June 1990, Gorbachev asked President Roh: "What would you like to hear about North-South Korean relations? What do you want me to tell Kim Il Sung?" Roh Tae-woo answered that Gorbachev could arrange a meeting with Kim Il Sung and emphasized that the Soviet Union should actively cooperate in order for North Korea to open its doors. Roh also mentioned to Gorbachev that the establishment of diplomatic relations between the Soviet Union and the Republic of Korea was expected to improve inter-Korean relations.<sup>1</sup> South Korea expected that Moscow could contribute to peace and stability in the Korean peninsula, using its influence on North Korea. However, the triangular relationship among Russia, North Korea, and South Korea was not improved as much as was expected.

The former Soviet Union established diplomatic relations with the Republic of Korea on September 30, 1990. From 1990 to 2010, there are three periods of bilateral relations between Russia and North Korea. First of all, the period from 1990 to 1995 was the worst phase. The North Koreans severely criticized the former Soviet Union for selling "the North" to "the South" at a price of US\$3 billion. Secondly, Russia's influence was regained after the new treaty of friendship with the North was signed. Moreover, the first trip for a Russian leader to North Korea was made in 2000. Thirdly, since the beginning of the second North Korean nuclear crisis in 2002, Russia became an active player in countries where concern as to the future of the Korean peninsula exists.

Recently, the overall relations between Russia and North Korea have been improving. Russia is upgrading its railway connections with the North and has been participating in an ambitious plan to build a trans-Korean railway. Moscow has gained unique and exclusive communications capabilities with Pyongyang, based on the development of trust between the leadership of the two states at the highest political levels. Moscow realized that a balanced diplomacy toward the two Koreas works better for the interests of Russia rather than the pro-South Korean stance in the first few years in the early 1990s.

Russia began to take its place at the international six-party negotiating table dealing with Korean problems. Even though the Six-Party Talks have not brought about any meaningful solutions after more than six years of negotiations, Russia is actively participating in the process of resolving the North Korean nuclear issue in an effort to expand its role in the Asia-Pacific and Northeast Asia. In an endeavor to expand its role, Russia is attempting to restore its influence on the Korean peninsula that had waned in the wake of the collapse of the Soviet Union in 1991.

Russia has publicly stated that it backs the UN Security Council discussion of

the North Korean uranium enrichment program. Moscow supported the U.N. Security Council Resolutions in 2006 that condemned North Korea's missile and nuclear tests. Russia also condemned the May 2009 nuclear test. The Six-Party Talks, however, rely heavily on China, and China has conflicting interests in an actual resolution of the DPRK nuclear issue.

The construction of a gas pipeline between Russia and South Korea via communist North Korea will promote an atmosphere of trust between Seoul and Pyongyang. A visit to Russia by the North Korean leader Kim Jong Un might set the stage for a thaw in North-South Korean relations, as well as promote a much-needed dialogue over North Korea's nuclear program. North Korea can earn more than US\$100 million per year solely from the pipeline project, simply by allowing the South Koreans and Russians to build the pipelines and railways with their own money. The potential for the development of Russia-North Korea-South Korea economic cooperation is great, without doubt. However, unless the issue of Pyongyang's debt to Moscow is settled in any satisfying way, the projects cannot even be launched.

Russia's influence over North Korea does not appear likely to be greatly enhanced in the near future for the following reasons: First of all, the prospects of the Six-Party Talks are not promising because Pyongyang prefers bilateral talks with Washington, rather than talks including Moscow or Beijing.

Secondly, Russia's short-term interest is a successful APEC summit meeting in Vladivostok in 2012. Its long-term interests are the denuclearization of the Korean peninsula, peace, and security in the region, and closer Seoul-Moscow relations. However, the old debt issue with North Korea needs to be resolved first.

Thirdly, Russia's influence over the entire Korean peninsula has been underused due to political and military reasons. Russia could become a balancer and a faithful mediator between the two Koreas. Further, Russia could play a role not only between Seoul and Pyongyang, but also between Beijing and Washington.

In South Korea, the perceptions of Russia among the public, the academia, as well as the media are generally negative. Their expectations about the role of Russia are low compared to that of the other major powers surrounding the Korean peninsula.

The former South Korean ambassadors, however, had different views of the potential and the role of Russia; they were very positive about the future of Russian-South Korean relations. The gap between the negative and positive views could be narrowed through joint efforts by Russian and Korean experts in both countries. In particular, the issue of North Korea's debts to Russia, which most of the South Korean public did not even remember, was pointed out by several former ambassadors to Russia as the key factor in future Russia-North Korean relations.

## **Historical Background of Russia-North Korean Relations**

The Democratic People's Republic of Korea (DPRK, hereinafter North Korea or the North) was established by the Soviet Union on September 9, 1948. It was established three years after the occupation of the northern part of the Korean peninsula by the Soviet army in August 1945.

The Soviet Union was an invisible, yet major actor in the Korean War from 1950 to 1953. It is an open secret nowadays that the Soviets worked more quietly behind the scenes, as demonstrated by the USSR's 64th Independent Air Corps in support of

the Chinese ground troops against UN forces. "As Russian-made MIGs made their first appearance in the Korean War, the British RAAF deployed Meteor F-8 fighters in order to counter the MIGs."<sup>2</sup> Further, "On the 12th day after the war broke out, a North Korean fighter was shot down for the first time. On July 7, 1950, the U.S. investigation team examined a Soviet-made Yak fighter in southern Seoul. The North had displayed the North Korean flag in the place where they had scraped off the Soviet insignia from the plane in order to camouflage the fact that the Soviets were supporters of the North's war efforts."<sup>3</sup>

By August 11, 1950, the 151st fighting aviation division, consisting of the 28th, 72nd, and 139th aviation regiments with the battalions of the air field service, concentrated on the air units Mukden, Liaoyang, and Anshan. Before sending planes to Manchuria, the Soviet recognition symbols were removed from planes. Upon arrival in China, the staff of a division changed into the Chinese military uniform. The formation of the Soviet aviation grouping was completed on November 27, 1950. On that day, the 28th, 50th, and 151st fighting aviation divisions were incorporated into the 64th Fighting Aviation Corps. They paid special attention to the covering of power stations and bridges through the Yalu River.<sup>4</sup>

A vast amount of the post-war construction projects were funded by the Soviet Union. Pyongyang's debt to Moscow began to grow increasingly larger. Nowadays, the debt issue has become one of the most serious stumbling blocks to the further development of relations between Russia and North Korea.

In the mid-1960s, North Korea established a large-scale atomic energy research complex in Yongbyon. They trained students, who had studied in the Soviet Union, to become specialists. North Korea also introduced a Soviet research nuclear reactor.<sup>5</sup> From this moment on, the North Korean nuclear crisis was born.

At the time of the Soviet coup in August 1991, the North supported the coup; yet, with the failure of the coup, the bilateral relationship became cooler.

The collapse of the Soviet Union in December 1991 incited the North Korean leadership to utilize the nuclear program as their weapon for regime survival and also as a bargaining chip for negotiations with the United States. Soviet protection for the North was no longer available, and the North had to revise its security strategy. The only option left for Pyongyang at that time was to "go nuclear." The first North Korean nuclear crisis was rounded up with the Geneva Agreed Framework of 1994, right after the death of Kim Il Sung.

Ever since 1992, they tried to recover the relationship through personnel exchanges between Vice Minister-level officials. Until 2000, when President Putin came to power, the relationship had remained stable but not very close.<sup>6</sup>

For the North Korea-Russia Fraternity, Amity, and Cooperation Treaty, following the denunciation of the "Treaty of DPRK-Soviet Fraternal Relations, Cooperation, and Mutual Assistance" (July 1961), the Minister of Foreign Affairs of Russia visited North Korea and officially concluded a new treaty between the two countries on February 9, 2000. The main points of the new treaty are as follows: (1) The "Treaty of DPRK-Soviet Fraternity, Cooperation, and Mutual Assistance" is renamed "North Korea-Russia Treaty of Fraternity, Amity, and Cooperation." This change signifies that the relationship between the two countries is a bilateral cooperation; one side is no longer the provider of assistance with the other no longer being the recipient; (2) The clause, "immediate military intervention and provision of assistance and resources in case of armed attack on any side of the treaty powers," is changed to "immediate

mutual intervention in case of armed attack on any side of the treaty powers;" (3) The treaty specifies the terms of the cooperation between the two countries by expanding the articles of the treaty from six to twelve.<sup>7</sup>

After the Russians failed to sell their nuclear power plant to the Korean peninsula Energy Development Organization (KEDO) following the Geneva agreement of 1994, Moscow had to wait another nine years in order to participate in Korean affairs in 2003. According to Toloraya, "the mistakes of the 1990s should not be repeated. At the time of early post-Soviet romanticism, the first democratic Russian government, determined to cooperate with the United States (on matters including non-proliferation, one of the areas important to Washington) joined the effort to pressure Pyongyang, thinking the demise of the regime was not far off (although experts never agreed with that prognosis). As a result, Russia was sidelined from the Korean settlement process and found that decisions with direct bearing on Russian interests were being taken without it."<sup>8</sup>

Recently, overall relations between Russia and North Korea have been improving. Russia is upgrading its railway connections with the DPRK and has been participating in an ambitious plan to build a trans-Korean railway. As is the case with China and South Korea, Russia is critical to North Korean security, since Russia shares a common border with the DPRK, and Russian cooperation would be necessary in order to enforce any security guarantee. As fuel aid from abroad has decreased, moreover, North Korea has turned again to Russia as a source of supply.<sup>9</sup>

Based on the development of trust between the leadership of the two states, Moscow has gained unique and exclusive communication capabilities with Pyongyang at the highest political levels.<sup>10</sup>

### **Changes in Russia's North Korea Policy**

In the early 1990s, Russia took a pro-South Korean stance. However, within a few years, Moscow realized that equidistance diplomacy toward the two Koreas works best for the interests of Russia. However, in order for Russia to do business with North Korea, several obstacles must be removed between Pyongyang and Moscow, such as the slow progress of the Six-Party Talks, the railway connection of the TKR and TSR project, the construction of gas and oil pipelines through the Korean peninsula, etc.

In Georgy Toloraya's article for *The Asia-Pacific Journal*, his key arguments are the following:<sup>11</sup>

- (1) As long as the U.S. nuclear threat persists, the Democratic People's Republic of Korea will increase and update its various types of nuclear weapons in order to use them as a deterrent in such a manner as it deems necessary in the days ahead.
- (2) Russia has no intention of recognizing North Korea as a nuclear state (although that does not change the fact that it obviously possesses nuclear weapons).
- (3) A "diplomatic solution"—offering North Korea incentives; first of all, security guarantees, in order to make them agree to abandon nuclear weaponization—should be pursued, although there are a few optimists who believe that would happen any time soon. Under no circumstances should military action to rein in the nuclear program or attempts to change the regime (effectively eliminating the North Korean state from the political map) be permissible. Sanctions are not effective either. Only a compromise can lead to a breakthrough. Within this logic,

maintaining amicable relations between Moscow and Pyongyang is imperative, both for Russia's ability to prevent dangerous developments and to influence Pyongyang to be more receptive to compromise.

- (4) A collapse of the North Korean state, involving a de facto occupation by South Korea, is not in line with Russia's vision of a future regional order.

The Institute of World Economy and International Relations of the Russian Academy of Science (IMEMO) takes the imminent collapse of the North Korean regime as a given in a special report published in September 2011. It concludes that Korean reunification led by South Korea coincides with Russia's national interests. The report has five pages referring to the Korean peninsula.<sup>12</sup> It states:

- (1) The regime's collapse is "accelerating," and that although reunification may not be fully achieved, the two Koreas will take "actual steps" toward reunification in the next two decades. IMEMO believes "the 2012-2020 transfer of power from North Korean leader Kim Jong Il to his son Kim Jong Un will trigger the collapse of the North." The leadership crisis will lead to a power struggle between "bureaucrats" with foreign business connections and "military and security officers" with no outside links. Then, over the following decade, a provisional North Korean government would be established under the aegis of the international community, such that the North comes under South Korean control, whereas the North's military will be disarmed and modernization will get under way. In the process, the North Korean economy will gradually be absorbed into that of South Korea's. Around one million North Korean supporters of the old regime will flee to either China or Russia.
- (2) IMEMO said that the emergence of a reunified Korea led by South Korea would have a "positive effect" on Russia's position in the Asia-Pacific region. Moreover, with the situation on the Korean peninsula stabilizing, Russia would "strengthen its diplomatic power in the Far East" and gain a "reliable partner." This would create opportunities for Russian businesses and the government to participate in massive transport, energy, and industrial projects, and also to create new demand for Russian energy, timber, metal, and petrochemical exports, as well as machinery.

This IMEMO report has more questions than answers compared to other reports on the Korean peninsula, particularly in regard to the possibility and timing of the collapse of the North Korean regime. It is also widely believed that China will intervene in the case of any contingencies in North Korea—before, during, and after the critical changes in North Korea. Furthermore, many South Koreans are concerned about a sudden collapse of the North and the economic burden they will have to carry for the reconstruction of the northern part of the peninsula.

As Paul Chamberlin wrote: "The *Cheonan* sinking is one more 'hot' incident in the ongoing Korean War. It was not the first instance of North Korean aggression and it won't be the last. Pyongyang's aggression may become more intense if the ruling Kim regime regards its nuclear arsenal as sufficient insurance to permit other provocations. Fortunately, however, all-out (hot) war in Korea is unlikely. Despite the high tension, the chances of renewed large-scale military combat are limited. Both North- and South Korea see the prospect of an all-out war as mutually assured destruction. Given the risk of miscalculation, however, a resumption of all-out war would devastate the Korean peninsula."<sup>13</sup>

Military tensions continue in the Korean peninsula as North Korea keeps on

threatening the South with nuclear arms and missiles. The world is focusing on the denuclearization of North Korea, yet, the prospects are not bright.

### **The North Korean Nuclear Issue**

When Shevardnadze, then Foreign Minister of the Soviet Union, visited Pyongyang on his way to New York in September 1990 in order to inform the Pyongyang government about the Soviet government's plan to establish diplomatic relations with South Korea, Kim Il Sung refused to meet with him. Furthermore, he was threatened by a North Korean Foreign Ministry director who stated that "If Moscow establishes diplomatic relations with Seoul, North Korea will develop nuclear arms despite the Soviet opposition."<sup>14</sup> This implies that the North Korean nuclear program was to be known to the world even before the first crisis in 1993. On December 31, 1991, when an agreement was reached on the Joint Declaration of Denuclearization of the Korean peninsula, it was only a negotiating tactic to remove nuclear weapons from the U.S. armed forces stationed in the South. During the years of 1993 to 1994, Russia had a very conservative appraisal of the North Korean nuclear capability, saying North Korea was not yet ready to possess a bomb due to technical problems. The former Soviet Union had provided North Korea with a small 2MWt laboratory nuclear reactor in 1956; this offer initiated the beginning of the North Korean nuclear problem.<sup>15</sup>

During and after the first North Korean nuclear crisis, Russia was unsuccessful in the negotiating process and failed to sell its nuclear reactors to the Korean peninsula Energy Development Organization. The Geneva Agreed Framework was signed between the United States and North Korea, and there was no participation of other nations in the process. However, the Geneva Agreed Framework ended fruitlessly in 2002, one year before its target year of 2003, with the revelation of North Korea's nuclear enrichment program. In 2003, the second North Korean nuclear crisis started.

The Six-Party Talks were designed to convince the North to forgo nuclear weapons and the long-range missile development program. The talks were led by China and included Japan, North Korea, South Korea, Russia, and the United States.<sup>16</sup> By joining the Six-Party Talks, Russia began to take its place at the international six-party negotiating table dealing with Korean problems. Cooperation among the United States, Russia, and China in the Six-Party Talks was expected, however, the talks have not brought any meaningful solutions after six years of negotiations.<sup>17</sup> The Six-Party Talks have been stalled since North Korea's withdrawal in April 2009.

Russia is actively participating in the process of resolving the North Korean nuclear issue in an effort to expand its role in the Asia-Pacific and Northeast Asia by restoring its influence on the Korean peninsula, which has waned in the wake of the collapse of the Soviet Union in 1991.<sup>18</sup> However, the Six-Party Talks is a typical case, showing that none of the five countries, including Russia, have the capabilities to make the North give up their nuclear arsenal.

As Larry Nicksch pointed out, "U.S. reciprocity for North Korean denuclearization must be an end of the "U.S. nuclear threat," meaning major reductions of and restrictions on U.S. military forces in and around the Korean peninsula."<sup>19</sup> The Six-Party Talks need to be resumed soon. For its success and the eventual termination of North Korea's nuclear ambition, Russia and China should accept a bigger role.

Russia has publicly stated that it backs the UN Security Council discussion of the North Korean uranium enrichment program. Additionally, the United States seeks further cooperation from Russia in their efforts to affirm unequivocally that the DPRK's uranium enrichment activities violate the relevant UNSCR.<sup>20</sup> Moscow supported UN Security Council Resolutions in 2006, which condemned North Korea's missile and nuclear tests. Russia also condemned the May 2009 nuclear test.<sup>21</sup>

The Talks bring all major players to the table, exposes China and Russia to North Korean obstinacy, enables China and Russia to exert pressure on Pyongyang, and includes Japan and South Korea, who have direct interests in a peaceful resolution of the problem and are likely to be the major providers of aid to the DPRK. The Talks, however, rely heavily on China; yet, China has conflicting interests in the actual resolution of the nuclear issue of the DPRK.<sup>22</sup>

One South Korean critic said, "Russia does not care whether the agenda of the Six-Party Talks is denuclearization of the North Korean nuclear arms or the formation of the Northeast Asian community, as long as Russia can participate in the talks."<sup>23</sup>

### **Economic Cooperation between Russia and North Korea**

Traditionally, North Korea's poor domestic economic performance was offset with infusions of Soviet aid. But after the collapse of the Soviet Union in 1991, the aid was halted and the North Korean economy was adversely affected.<sup>24</sup>

Russian reforms along with the end of the Cold War greatly reduced the priority of the DPRK in the strategy of Russian foreign policy. Following Soviet support of North Korea in the Korean War, the USSR provided assistance to Pyongyang that helped equip its military and create its heavy industrial sector. In 1998, at the peak of the bilateral relationship, about 60 percent of North Korea's trade was with the Soviet Union. Much of the trade was in raw materials and petroleum that Moscow provided to Pyongyang at concessional prices. Relations between the two cooled in the 1990s as Russia recognized South Korea, announced that trade with North Korea was to be conducted in hard currencies, and opted out of its bilateral defense agreement.<sup>25</sup>

There are several key projects under discussion among the many experts for the past 20 years or longer, without any meaningful accomplishment. These are the railway connection of the TKR and TSR project, the construction of gas and pipelines through the Korean peninsula, and so forth. The future is not that bright, regardless of the recent development in North-South Korean relations. Therefore, economic cooperation will contribute to the development of political and military between the two Koreas. In reality, however, the trigger is in the hands of the North Korean leadership. Unfortunately, Russia and other major powers could not make any impact on Pyongyang thus far.

Once North Korea cooperates with reasonable consideration, the economic projects mentioned above could be launched at the highest speed and magnitude. The South Korean leadership needs such a development more than anything else; thus, it is time for Russia to come up with a fresh initiative and all the influence it could have on North Korea.

The DPRK's trade with Russia lags behind what it has been in the past. In 2008, North Korea ranked 107th among Russia's sources of imports (below Jamaica and Ghana) and 92nd in terms of markets for Russian exports (below the Virgin Islands



Table 1. Russia's Trade with North Korea (Unit: Million US dollars)

	2001	2002	2003	2004	2005	2006	2007	2008	2009
Exports	71	107	115.6	204.9	230	189	126	107	41
Imports	44	32	2.8	4.8	10	20	33.5	13	21
Total	115	139	118.4	209.7	240	209	159.5	120	62

Source: ROK Ministry of Foreign Affairs and Trade, *Handbook on Russia* (Seoul: ROK MOFAT, 2010), 111.

and Gibraltar). The increasing volume of Russian mineral exports to the DPRK has moved Russia past Japan, Germany, and Thailand to become North Korea's third largest trading partner.<sup>26</sup>

Trade between Russia and North Korea gradually increased between 2000 and 2007, but it is now shrinking.

Russia is one of the 10-largest energy suppliers to South Korea in the fields of oil (8th), gas (9th), uranium (1st), and soft coal (5th). In April 2009, South Korea began the 20-year annual import of 1.5 million tons of natural gas from the Sakhalin-II Field, which allowed Korea to diversify the country's sources of energy supply. Bilateral cooperation in energy has been further enhanced, as evidenced by the Action Plan on the Development of Korea-Russia Collaboration in the Field of Energy, signed by the energy ministers in August 2009. The agreement includes 20 major projects, including Korea's import of natural gas from Russia, the West Kamchatka Project, and the modernization of Russia's power grids.<sup>27</sup>

Large-scale economic projects, such as the construction of a gas pipeline between Russia and South Korea via the DPRK, the linking up of the Trans-Korean railway with the Trans-Siberian line, and the construction of a transmission line from the Far East to the Republic of Korea, can all serve as the motivating factors to rekindle relations between the two countries. The construction of a gas pipeline between Russia and South Korea via communist North Korea will promote an atmosphere of trust between Seoul and Pyongyang.<sup>28</sup>

However, it is clear that the pipeline project is just wishful thinking on the part of Russia and South Korea. North Korea is looking for ways to resume the Six-Party Talks without apologizing for the *Cheonan* and Yeonpyeong Island incidents, as well as for their violations of the UN Security Resolutions 1718 and 1874. What the North Korean leadership is seriously concerned about is the inflow of people from South Korea or any other foreign countries. Concomitantly, North Korea could earn more than US\$100 million a year solely from the pipeline project, simply by allowing South Koreans and Russians to build the pipelines and railways with their own money.

Russia is close to achieving the green light to build a gas pipeline into South Korea after negotiating a deal with the North. The planned pipeline had been mooted in 2009, but was stalled due to tensions on the peninsula where Pyongyang and Seoul peer warily at one another over the 38th parallel. However, after meeting [North] Korean leader Kim Jong Il in a closed military town near Ulan-Ude, President Dmitry Medvedev announced the progress, RIA Novosti reported.<sup>29</sup>

Total gas transported every year would be up to 10 billion cubic meters, and if the demand is there, Russia would be ready to expand capacity and deliver more.

The pipeline itself would be more than 1,100 kilometers long, with the main part—700 kilometers—crossing the DPRK territory.<sup>30</sup>

The Trans-Korean gas pipeline is planned as an extension of the Sakhalin-1-Khabarovsk-Vladivostok pipeline. This project is usually discussed in a package with the Trans-Korean Railroad (planned as an extension of the Trans-Siberian Railroad). Since both the pipeline and railroad are supposed to go from Russia to South Korea through North Korean territory, the importance of these schemes cannot be measured just by stable supplies of gas or livelier transit of goods. Implementation of the Trans-Korean projects might contribute to a new atmosphere of cooperation on the Korean peninsula, and eventually help to do away with a major geopolitical impediment to economic integration in East Asia.<sup>31</sup> Among the South Korean experts on Russian affairs, there were many discussions on the projects; however, there was no explanation as to why it has not yet begun.

### **Former South Korean Ambassadors' Views: North Korea's Debt to Russia**

During the years of 2009 and 2010, the author interviewed former South Korean ambassadors to Russia in order to learn first-hand knowledge about the Russia-North Korean relations. There were 10 ambassadors between 1990 and 2010, and seven of them agreed to the interviews. It is inappropriate to mention who said what because some of them are still on active duty.

In general, they share the same views with Russian experts on the issue of South Korea as to the overall Moscow-Pyongyang relations. However, they emphasized one particular point—North Korea's debt to Russia. That was the issue that was rarely discussed in South Korea. The potential for the development of Russia-North Korea-South Korean economic cooperation is great without doubt. However, unless the issue of Pyongyang's debt to Moscow is settled, these projects cannot even be launched.

North Korean debt—which stood at about 5 billion rubles by the time its servicing was stopped in 1990 when the bilateral payments were transferred to a hard currency base—now totals (with accrued interest) about US\$11 billion. This debt was accumulated as a result of loans the Soviet Union granted the DPRK for the industrial projects and military supplies, as well as to finance the trade imbalance.<sup>32</sup>

North Korea had borrowed the funds from the former Soviet Union in the 1960s in order to build power plants and others. Since the 1970s, North Korea has been in debt to many nations, including France, Germany, Sweden, Austria, and Japan. Additionally, North Korea is in debt to its communist allies, the Soviet Union—with Russia as the successor to old Soviet debts—and China. Only a few of these creditors have been paid since the 1980s. As of 1996, North Korea had an estimated US\$12 billion in external debts, mostly owed to Russia and China (US\$7.4 billion, or 62 percent) and the rest to Western nations and Japan (\$4.6 billion, or 38 percent).<sup>33</sup>

Basically, the problem between Russia and North Korea is that Pyongyang is not willing to recognize Russia as the legitimate successor to the Soviet Union. Besides, there has been no agreement on the details of debt reassessment. Most importantly, North Korea seeks a political settlement of the debt issue while Russia does not intend to do so. As the two governments were unable to reach a final agreement on

the amount of debt to repay, there are only Russian quotations, which ranged from a low of US\$8 billion to a high of \$11 billion. The higher figure was mentioned by the Deputy Finance Minister in August 2011, when Kim Jong Il was meeting with Medvedev in Ulan-Ude. Russian media explained that the amount of North Korean debts increased by \$3 billion over the past five years because of overdue interest and penalties for failure to make payments.<sup>34</sup>

Throughout the 2000s, the two governments continued negotiations in order to reassess North Korea's debt to the Soviet Union; yet, no clear-cut result was seen despite Moscow's offer of drastic loan cuts. In December 2006, the two sides agreed that the debts, amounting to 3.6 billion rubles, would be reappraised at US\$8 billion and an 80 percent discount on the amount would be given.<sup>35</sup> On March 23, 2007, at the 4th Russia-North Korea Economic Conference, the two sides failed to agree on how much debt to forgive.<sup>36</sup>

Recently, however, it was reported that Russia and North Korea have agreed on a new approach to resolving Pyongyang's Soviet-era debts. Kim Jong Il met Russia's President, Dmitry Medvedev, in Ulan Ude during his tour of the Far East and Siberia, and the two sides worked out an approach to resolve the question of an estimated US\$11 billion in debts, RIA Novosti reported.<sup>37</sup>

In addition to its 80 percent discount offer in 2006, Russia is reported to have proposed a 90 percent cut in the 2011 meeting. In September 2011, Russian Deputy Finance Minister Storchak said that Russia would grant a 90 percent relief and that the remaining 10 percent might be converted into investments in energy, medicine, and other areas. When Russia signed an MOU with North Korea in August 2011 on the laying of a gas pipeline through North Korean territory, it reportedly expressed intent to grant a 90 percent relief.<sup>38</sup>

According to Yang Moon-soo, "Russia has the final say about the debt issue but many experts agree that Moscow's "major decision" is not impossible, considering its ambitions to gain a leadership position in Northeast Asia through grand energy and railway projects as well as the Six-Party negotiations for North Korea's denuclearization."<sup>39</sup>

Once the issue of the North Korean debt to Russia is settled, the major roadblock, which was pointed out by the former South Korean ambassadors to Russia, not by the scholars in Seoul, could be removed. However, Georgy Toloraya notes that "the absence of the debt problem will facilitate financial arrangements for future projects, like the proposed gas pipeline, but the fate of such projects now depends on Seoul's position, not on Pyongyang's credit rating."<sup>40</sup> In November 2011, Medvedev had a meeting with South Korean President Lee Myung-bak in St Petersburg. Soon after that meeting, Victor Ishaev, the Russian President's Representative in the Far Eastern Federal Region, disclosed that Kim Jong Il was supporting the construction of the Trans-Korean pipeline and that North Korea might be receiving US\$100 million annually for the transit of gas.<sup>41</sup>

## **Conclusion**

The issue of Russia's influence over North Korea should be discussed with respect to political, military, economic dimensions, as well as taking into consideration historical settings and geopolitical understandings.

It does not seem that Russian influence over North Korea will be enhanced in the near future. The North will be able to muddle through for the time being, during and after the succession process. The new North Korean leader, Kim Jong Un, might try a third way, which is the opening and restructuring of the longest standing communist country in the world. Until then, the situation in Northeast Asia will be tumultuous occasionally—yet, not as hot. They call this situation a status quo or state of stability in the region.

First of all, the prospects for the resumption of the Six-Party Talks are not promising because Pyongyang prefers bilateral talks with Washington, rather than including Moscow or Beijing. Moscow's role is thus limited, even though Moscow-Pyongyang relations have been stable.

Second, Russia's short-term interest is in the holding of a successful APEC summit meeting in Vladivostok in 2012. Its long-term interests are the denuclearization of the Korean peninsula, peace, and security in the region, as well as closer Seoul-Moscow relations. However, the old debt issue needs be resolved first.

Third, Russia's influence over the Korean peninsula has been underused due to political and military reasons. Russia could become a balancer and a faithful mediator between the two Koreas, playing a mediating role not only between Seoul and Pyongyang, but also between Beijing and Washington.

Finally, what Russia wants might be "manageable tension" in the Korean peninsula. This implies a status quo or a very slow development toward the denuclearization of the North.

What can Russia do? Through dialogue with the North, Russia could urge them to improve relations with the South and make gradual changes in the North as a member of the international community. The Russia-North Korean relationship should be different from the ideology-based military relationship. It should become a normal state-to-state relationship.

Russia could play a bigger role in the process of denuclearization of the Korean peninsula as well as the construction of the gas pipelines and others. Such developments will enhance the stability and economic development in the region, and the contribution of Russia will be appreciated. However, all of the projects could commence only after the debt issue is resolved. The debt issue was highlighted by former South Korean ambassadors to Russia.

Through the meeting between Kim Jong Il and Medvedev in Ulan-Ude in August 2011, and the report in June 2012 stating that the North Korean debt issue was resolved with a 90 percent discount on the US\$11 billion debt, Putin might make an announcement at the APEC Summit in Vladivostok about a final agreement with North Korea. Russia could regain its influence over North Korea, the Korean peninsula, and East Asia as a major player.

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