Economic Cooperation between South Korea and Russia

Russia has for some time now supported the idea of Eurasian integration and the creation of a single economic space in Eurasia. With this aim in mind, the Russian Federation has been collaborating with the nations on the continent in a bilateral format as well as within frameworks of various organizations, such as the Eurasian Economic Union (EAEU) (a body in which Russia is a key member). In addition, the Russian Federation supports similar projects initiated by other countries. Thus it reacted with enthusiasm towards China’s transport and development One Belt, One Road Initiative (OBOR). Russia was equally welcoming to South Korea’s Eurasia Initiative and its New Northern Policy.

It is common knowledge that in the second half of the 20th century, the world was split in two blocks: the Communist one headed by the Soviet Union and China, and the capitalist one led by the United States. And not only were countries divided thus by state borders but also from within. For instance, North Korea (the DPRK) and South Korea (the Republic of Korea, ROK) stemmed from this ideological split. The latter became an indelible part of the U.S.-led block. During the Cold War, relations between the Communist nations located primarily to the north of ROK and South Korea essentially did not develop. And, in fact, there was a war between the DPRK and the Republic of Korea from 1950 to 1953.

However, at the end of the 1980s the Cold War was ending, and the relationships between South Korea and its northern neighbors began to improve. During Roh Tae-woo’s presidency (from 1988 to 1993) the “Northern Policy” was launched. Within its framework the nation began to cooperate with the USSR and the PRC.

The issue of geography became one of the reasons why South Korea had taken such a step. The ROK is located in the southern part of Eurasia’s Korean Peninsula, and is separated from the rest of the continent by the aforementioned northern neighbors: the DPRK, China and the USSR (Russia since 1991). Hence, South Korea is forced to maintain its ties with other countries by air and by sea. And its poor relations with North Korea made operations of regular passenger and freight services difficult, which was not beneficial for South Korea’s economy. After all, transporting large freight volumes by sea and by air is more difficult and expensive than doing so by land.

Initially, the USSR was keener on cooperating with the Republic of Korea than the PRC. After the collapse of the Soviet Union, its rightful successor Russia continued to foster friendly ties with South Korea. And the ROK even managed to forge cooperation and to establish trade ties with China.

However, South Korea’s relations with the DPRK remained problematic, and in recent years, there has been a new flare-up in tensions between them. This has had a negative effect on the extent of cooperation between Russia and the Republic of Korea. And up until now, it has been impossible to implement projects aimed at installing natural gas pipelines (linking the Russian Federation to the ROK), and at connecting rail networks and power grids of the two nations, since all of these initiatives can only be realized via the DPRK, which separates the Republic of Korea from the rest of the continent. South Korea also cannot fulfill the wish to ease its access to markets of Eurasian nations by improving land links with them without first normalizing its relationship with North Korea.

Still, the Republic of Korea has continued venturing north. In October 2013, ROK President Park Geun-hye proposed the Eurasia Initiative. One of its key aims was to reinforce and broaden its cooperation with the Russian Federation. The initiative bore fruit, and in 2014, a visa-free regime between the two countries was introduced, and the groundwork for future investment cooperation was laid.
However, the Eurasia Initiative was not fully realized, because of organizational flaws, and the negative effect of increased tensions between the Russian Federation and the West. After all, the ROK had to follow policies that take into account the interests of its key partner, the United States. During the period from the end of 2016 to the beginning of 2017, power changed hands in South Korea. Park Geun-hye was impeached and imprisoned for corruption, and in May 2017, Moon Jae-in became the President of the Republic of Korea. All of these events also hindered efforts to foster cooperation between Russia and South Korea.

Still, the collaboration did not end, as the new leader of ROK turned out to be a supporter of closer ties with the Russian Federation. In the first half of 2017, trade turnover between Russia and South Korea increased rapidly, and exceed $24 billion in 2018.

In addition, during the first year of Moon Jae-in’s presidency, the New Northern Policy (NNP) was launched in 2017. The aim of the NNP is the integration of the Republic of Korea, the DPRK, Russia and East Asian countries into a single economic space. South Korea is intent on cooperating with its northern neighbors in key spheres of the economy, such as transport, power generation and transmission and security. These aims are similar to those set out by Russia and the EAEU, and are in line with these countries’ interests. Incidentally, the cooperation between the ROK and Russia (and not China) is meant to be the cornerstone of the initiative. This is not surprising as, at present, the PRC is the top economy and the most influential nation in East Asia, and it aspires to dominate in the Asia Pacific region. But this is exactly what probably frightens the Republic of Korea, since it wishes to maintain its political independence and to remain a regional leader (and not fall in the shadow of the former Celestial Empire). Moreover, as mentioned earlier, ROK’s key partner is the United States, which, currently, has an unusually tense relationship with China and is engaged in a “trade war” with it (and it would be equally disadvantageous for South Korea to take either side in this confrontation). Hence, the Russian Federation is the best option, since it is also a powerful country but does not aim to play a dominant role in the region, and it is not actively involved in the current conflict between the USA and China.

The Presidential Committee on Northern Economic Cooperation was established in order to aid in implementation of the NNP. In December 2017, it publicized its initiative on fostering cooperation with the Russian Federation. Its metaphorical name of “Nine Bridges” refers to the links that will be established between the two nations in the spheres of rail transportation, power transmission, sea port infrastructure, the fisheries industry, the Arctic Shipping Route, shipbuilding, agriculture, industrial complexes and liquified natural gas (LNG).

It is worth focusing on the “gas bridge” in this article, as the ROK, with its powerful and still developing industrial sector, is the second largest LNG consumer in the world while the Russian Federation is one of its biggest producers. LNG can be transported by sea, without the need for means of delivering it by land. The latter is yet another sphere with great potential for cooperation between the Russian Federation and the Republic of Korea.

The railroad “bridge” of the initiative refers to an old project aimed at connecting South Korean rail networks with Russia’s Trans-Siberian Railway via the DPRK. The power “bridge” entails establishing an electrical power transmission network for North and South Korea, the Russian Federation, the PRC and Japan. Clearly, it will be impossible to “build these two bridges” without involvement of the DPRK. And since the relationship between South Korea and North Korea is still plagued with problems, a decision was made to focus on the other “bridges”, and continue work in these two spheres later.

In such a climate, the first step towards economic cooperation between Russia and the ROK had to be the creation of a free-trade zone (FTZ) between these two nations. The Russian Federation and the Republic of Korea signed a joint statement on the establishment of a free trade zone in June 2018, when ROK President Moon Jae-in visited Moscow. In June 2019, South Korea’s Foreign Minister Kang Kyung-wha arrived in Moscow. She conducted negotiations with the head of the Ministry of Foreign Affairs of the Russian Federation, Sergey Lavrov. The two parties discussed key topics to do with the development of ties between Russia and South Korea, including economic cooperation, as well as a number of global and regional issues (such as those connected to the situation on the Korean Peninsula). Both sides stated that political and diplomatic collaboration on a global level was required to solve the current problems there. The issue of trilateral cooperation among the Russian Federation, the ROK and the DPRK in the rail and energy sector was raised once again. Then Sergey Lavrov announced the start of official negotiations between Russia and South Korea on the FTZ agreement.

In September 2019, the Eastern Economic Forum 2019 took place in Vladivostok. Ex officio Deputy Prime Minister Hong Nam-ki headed the South Korean delegation that attended the event. He told journalists that his nation expected to conclude the negotiations on the FTZ with Russia in the first half of 2020, and that this agreement would
facilitate growth of these countries’ economies and their employment levels. In addition, Hong Nam-ki said that South Korean businesses were keen on collaborating with the Russian Federation in the spheres of logistics, tourism, medicine, etc. The South Korean politician also reminded his audience about the “Nine Bridges” Initiative, whose implementation, in his opinion, would play a key role in the fostering of ties between the Russian Federation and the ROK.

After establishing the FTZ between Russia and South Korea, the next step will be for the ROK to sign a free trade agreement with the EAEU. This possibility is currently being reviewed, and if such a zone is created, it will strengthen and broaden ties between the Russian Federation and South Korea.

The “Nine Bridges” Initiative can be described as ambitious and difficult to implement at present, primarily because of the situation with North Korea. However, it is possible that joint efforts, made by the Russian Federation and the ROK, as well as China and Japan (two nations that are also interested in economic integration with Korea), may help move the process of reconciliation forward and normalize the situation on the Korean Peninsula. If this does occur, the “Nine Bridges” Initiative aimed at fostering Russia–South Korea cooperation could become a success. The Russian Federation and the Republic of Korea are among some of the most economically and technologically developed countries in Eurasia. Hence, cooperation between them could be extremely beneficial for both of these nations. And combining their potential with that of the EAEU and OBOR may increase economic growth in the entire Eurasian continent to unprecedented levels.

*Dmitry Bokarev, political observer, exclusively for the online magazine “New Eastern Outlook.”*