

## Putin and Korea's "Silk Road Express": Russia's Game on the Korean Peninsula\*

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Moscow has shown interest in reducing tensions on the Korean peninsula through promotion of three major trilateral (RF-DPRK-ROK) infrastructure projects: uniting the railroads in both Koreas with the Tran-Siberian Railway as well as constructing gas pipelines and power lines from Primorye to South Korea through North Korea. North Korea's "rapprochement" with Russia is both the result of moves occurring among actors in this game and, at the same time itself a stimulus to ongoing and concurrent reactions by those players. After it reviews the trilateral cooperation among Russia-North Korea-South Korea regarding the gas pipeline in 2011-2012, this article examines the trilateral cooperation regarding railways in 2013-2014.

**Key Words:** Russia, North Korea, Silk Road Express, Eurasia Initiative

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## I. Introduction

Kim Jong-un has done nothing to advance the Russo-North Korean accords reached by his father Kim Jong-il in August 2011 with Russian President Dmitry Medvedev. These accords were the product of a Russian initiative triggered by the crises of 2009-2010 on the Korean Peninsula. Russian officials announced in September 2010 that the region was on the brink of war and fully grasped that in case of war Russia's vital strategic and tangible material interests would suffer grievously, yet Moscow possessed no means of leverage over North Korea and had little influence on South Korea. Russia's ensuing diplomatic initiative culminated in the agreements of August 2011 between Medvedev and Kim Jong-il. North Korea announced its readiness to consider the possibility of a trans-Korean railway linked to the Trans-Siberian railway (TKR-TSR) and a trans-Korean gas pipeline connected to Russian gas holdings. Yet in the two years that followed nothing was heard from North Korea leading to further progress on the basis of these 2011 accords.

During his visit to Seoul in late 2013, Vladimir Putin almost explicitly warned North Korea that, if it did not respond to Moscow's proposal for a trans-Korean pipeline and railway, which would connect to Russia's planned Siberian gas pipeline network and railroad, Russia would proceed without it. Since January 2014, North Korea has shown renewed interest in Russian economic ties, while Moscow is now more openly supportive of Pyongyang's policies. The pipeline and railroad are part of a larger Russian approach to the agenda of Korean security. After it reviews the trilateral cooperation among Russia-North Korea-South Korea regarding the gas pipeline in 2011-2012, this article examines the trilateral cooperation regarding railways in 2013-2014.

## II. Russia's 2011 Pipeline and Railway Proposals to North and South Korea

The railroad and the pipeline projects enjoy a long pedigree in Russian thinking. Indeed, the rail project goes back to the 1890s when it was first conceived by then Prime Minister Sergei Witte as a means of eclipsing the Suez Canal and thus British geopolitical influence as an international trade and transport hub.

On September 29, 2008, Bloomberg reported that state-run Korea Gas Corporation (KOGAS) signed a preliminary agreement with OAO (Open Joint-Stock Company) Gazprom, Russia's largest energy company, to import 10 billion cubic meters (7.5 million tons) of natural gas over 30 years starting in 2015. The accord was signed in Moscow during President Lee Myung-bak's visit to Moscow during September 28-30, 2008 (Kang, 2008). Gazprom was supplying South Korea with around 1.5 million tons of liquefied natural gas per year. Under the agreement, a pipeline to South Korea will be laid via North Korea from gas fields on Sakhalin Island in Russia's Far East. The pipeline would initially carry 10 billion cubic meters of gas a year, or about 20 percent of South Korea's annual consumption. The cost of the gas link's construction is estimated at \$3 billion (*Ibid.*). Ambassador Lee Youn-ho, who accompanied President Lee on the Russian trip in his capacity as Minister of Knowledge Economy, said that the three-nation gas pipeline project, if realized, will be very meaningful "economically and politically." "If the South Korea-Russia gas pipeline can pass through North Korea, it can be linked to the construction of electric power and railway networks (in North Korea)," said Ambassador Lee (*North Korean Economy Watch*, February 10, 2010).

During 2009-2010 there was obviously growing anxiety in Russian policy circles about the situation on the Korean peninsula and in particular North Korea's nuclearization and the accompanying breakdown of the six-party talks. Contrary to the proliferation situation, Russia-South Korea economic cooperation was gaining traction under President Lee Myung-bak. Moscow invited and courted South Korean businessmen and diplomats, encouraging investment and political

cooperation. Robust trade numbers between the two nations seem to indicate that the relationship was functioning: in 2010, bilateral trade increased by 82.2 percent, hitting more than \$11 billion (Yi, 2011). In the 2010 Summit between South Korea and Russia, Seoul pledged to increase its import of Russian oil to 7.5 million tons, equaling about 20 percent of its consumption. South Korea has also invested in energy projects in the RFE.

Meanwhile, there was significant improvement of ties between Russia and North Korea. On July 4, 2011 a Russian delegation from Gazprom led by Deputy Managing Chairman Alexandr Ananenko arrived in Pyongyang. According to the Korea Central News Agency (KCNA), they held talks with Minister of Oil Industry Kim Hui -yong. The Gazprom officials also met with Kang Sok-ju, vice-premier of the DPRK and presented a gift to Kim Jong-il (*North Korean Economy Watch*, July 7, 2011). This delegation follows a visit to Russia by North Korean envoy Kim Yong-jae in June 2011 to discuss the potential for cooperation in the energy sector and a visit to the DPRK in May 2011 by the External Intelligence Bureau of the Russian Federation Director M. Y. Fradkov (*Ibid.*).

Kim Jong-il's visit to Ulan-Ude on August 20, 2011 sparked interest for trilateral cooperation between the ROK-DPRK-Russia in the gas, energy, and railroad sectors. Georgy Toloraya stated "After a considerable cooling of relations with Pyongyang in the wake of North Korean missile and nuclear tests and provocations in 2009-2010, Russia is back in the game" (Toloraya, 2011). During his meetings with President Dmitry Medvedev on August 24, 2011 Kim Jong-il reportedly agreed to resume the six-party talks over North Korea's nuclear weapons without preconditions; if the talks take place, he would then impose a moratorium on nuclear testing and production of (unspecified) nuclear materials. Kim also agreed to set up a commission to explore the possibility of building a gas pipeline from Siberia through the DPRK to South Korea. North Korea would obtain approximately \$100 million in fees from this pipeline which would open in 2017 and apparently ship 10 billion cubic meters (bcm) of gas annually to South Korea for 30 years (*Nezavisimaya Gazeta; Moskovskiy Komsomolets*,

August 22, 2011). Russia also joined the DPRK in conducting joint naval search and rescue operations, forgave North Korea's debt to it in 2012, and moved forward on its century-long dream of a TSR-TKR (Blank, 2011). This agreement marked the high-water mark of a Russian diplomatic initiative in 2010-11 given Moscow's anxiety about the situation on the Korean peninsula after the North Korean attacks on the South Korean ship, Cheonan, and its shelling of Yeonpyeong Island in 2010. For Moscow and Pyongyang these proposals represented serious initiatives regarding the Korean situation at that time.

The pipeline and railroad are part of a larger Russian approach to the agenda of Korean security. In 2010-11 Russian diplomatic observers poured cold water on any resumption of the six-party talks because what looked like insuperable divergences between Seoul and Pyongyang precluded their meeting anytime soon (*Interfax*, in Russian, May 6, 2011; *FBIS SOV*, May 6, 2011). Moreover, Russian Deputy Foreign Minister Alexei Borodavkin, Russia's delegate to the Six-Party Talks, said that the Korean peninsula was on the brink of war in September 2010 (Oxborn, 2010). Indeed, North Korea agreed with this estimate while South Korea pledged retaliation for any future Northern provocations since then (*Reuters*, November 29, 2010). Borodavkin further underscored Russia's genuine alarm about Korea by stating that the aggravation of Asian conflicts, together with the global economic crisis have created a situation where, "Under current circumstances, peace and security in the region is a priority task because we believe that neither nuclear deterrence nor military deterrence may ensure security in this sub-region and in the entire world." (*ITAR-TASS*, in English, December 23, 2009). That is, further North Korean provocations might push one or another actor over the edge and Russia cannot do anything to stop it. Indeed Moscow even deployed its new S-400 SAM to the Russian Far East (RFE) due to its fears that North Korea might launch more missiles that either go awry or worse, provoke a major conflict in Northeast Asia (*RIA Novosti*, August 26, 2009). For Borodavkin this danger means Russia must participate more actively in the region, and its activity has become more substantive, focused on economic integration. The aforementioned Russian diplomatic initia-

tive grew out of this assessment and clearly intended to alleviate this situation and reduce tensions to get the parties back to the negotiating table.

In lieu of the trans-Korean pipeline Russia can either build a new underwater pipeline from its east coast to South Korea or find a way to increase production of liquefied natural gas (LNG) from Sakhalin II to get to the ROK as well as Japan. It also is building an LNG plant in Vladivostok that Gazprom believes will have a secure resource base and can bring LNG to Asia from Sakhalin II, the forthcoming Sakhalin III, and Kirinskoye pipeline in line with the overall gasification of the RFE (*Interfax*, in English, October 24, 2013; *FBIS SOV*, October 24, 2013). Thus the future LNG plant that Rosneft plans to build on Sakhalin could, it claims, be expanded to 10 million tons of gas while Novatek, an independent gas company, claimed in October 2013 that its preliminary estimate of the cost of an underwater pipeline from Russia to South Korea would be ready in two weeks although no word of it has been reported as of this writing. Unfortunately and typically it appears that such claims are vastly overblown and that, in fact, the gasification project for the RFE is considerably behind schedule (Bradshaw et al, 2013; *Interfax*, October 24, 2013).

A breakthrough in this trans-Korean pipeline reduces China's leverage on Russian energy exports and on the negotiations over a Russo-Chinese pipeline that still appear to be at an impasse. And the absence of such a pipeline therefore increases China's leverage in those negotiations since China and Russia are still embroiled in difficult negotiations over a Russian gas pipeline to China. China demands a below market price and since it has alternatives to Russian gas Russia had to offer China a concessionary price of \$250/tcm. But a pipeline to South Korea through the DPRK bypasses China and reduces its leverage on Russia, especially with regard to price, which remains the key sticking point in these negotiations. Meanwhile Russia gains greater freedom to insist upon a market price because it would now have alternatives with which to supply gas to all Asia, including China. There would be much less pressure to build a pipeline to one customer a situation in which the customer, not the supplier, owns

the pipeline. Indeed, in 2011 Moscow announced that it would not lower its price for gas through the projected pipeline to China even though it offered South Korea gas at a 30% discount (*ITAR-TASS*, November 24, 2011). It is unlikely that Moscow can repeat this offer unless it somehow builds a direct pipeline to South Korea.

North Korea's and Kim Jong-il's motives were palpable. Earlier 2011, China refused to give him military assistance. Furthermore it clearly set conditions for new economic assistance — namely, returning to the six-party talks without preconditions (*Argumenty Nedeli; Argumenty i Fakty*, NHK, August 24, 2011). Meanwhile China's influence upon North Korea's economy had already become visible by 2011 and, if anything has grown since then. North Korean officials clearly resent this dependence on China that contradicts the autarchic Juche (self-reliance) ideology even though Chinese assistance and support for the succession to Kim was necessary. Chinese influence or pressure from Jang Song-taek to reform along Chinese lines may have also played a prominent part in the recent North Korean purges (Choe, 2013). Even as Moscow sought and seeks covertly to expand its influence in North Korea at China's expense, its analysts believe that China's rule will also grow there and Russian policy supports this lest American influence turn up on Russia's border. Thus Zhebin argued that Moscow and Beijing will help Kim Jong-un hold power (*FBIS SOV*, December 19, 2011). Other analysts see Chinese influence over North Korea and even raise the possibility of unification even though Russia still places its hopes in the results of the August 2011 summit. Moscow hopes that no efforts are made to revise those agreements since they allegedly were made with the entire North Korean government not an individual leader (Strokan, 2011).

### **III. Demise of the 2011 Pipeline and Railway Proposals**

As of Kim Jong-il's death in December 2011 neither the railway nor the pipeline was a done deal. Indeed, negotiating a multi-national gas pipeline, especially, with such deeply entrenched adversaries as

the two Koreas, is inherently a protracted process that can be reversed at any time. And it now appears that since then North Korea has lost interest in the proposals agreed to in August 2011. Since then almost all mention of these programs has disappeared from the press, suggesting the breakdown of the negotiations to implement them while the overall Korean situation has become extremely dangerous and the Six-Party talks have stalled.

### *A. Pipeline Proposals*

As early as September 2011, some details and complexities of the tripartite deal began to surface. Three questions figured prominently for South Korea — is the size of the gas reservoir large enough to supply for 30 years, who will fund the pipeline construction across North Korea and how to guarantee against “North Korea risk,” North Korea’s interference with the gas supply to the Republic of Korea?

Professor Kang Joo-myung of Seoul National University said the project was likely to face strong opposition from the communist North’s powerful military as it would have to traverse the heavily fortified inter-Korean border. The military might have to relocate sensitive facilities (*North Korean Economy Watch*, September 10, 2011). According to Professor Kim Yong-hyun of Seoul’s Dongguk University, “Under the current situation, the pipeline project appears to be no more than a pipe dream.” “But it could also serve as a pathway to bring the two Koreas closer.” Kim played down concerns the North could turn off the supply to pressure the South, particularly as such moves could damage ties with Russia (*Ibid.*). The project still needed an easing of tensions and especially a settlement of disputes over the North’s nuclear program.

Choi Ki-ryun, professor of energy studies at Ajou University in Suwon, said economics should have greater weight than politics. Choi told the Korea JoongAng Daily natural gas prices are dropping as more reserves are discovered worldwide. “The price will get lower,” Choi said, “and it is necessary to calculate the risk of a long-term energy project rather than focusing on political meanings” (*Ibid.*).

In the South Korean debate in September-October 2011, the thorniest issue was what happens if the North blocks the pipeline. Korea Gas Corp. President Choo Kang-soo told the National Assembly that the plan was to import liquefied natural gas by sea at the price of pipeline natural gas, which costs only about a third of LNG shipments. Choo also said his company plans to increase the annual gas imports by 1 million tons to 7.5 million tons and find ways to sell it to another country if it exceeds Korea's natural gas demands. Both China and Japan have requested Korea supply gas, he said. Installing and operating a pipeline underwater is considered infeasible due to corrosion. Several local scholars have suggested that the pipeline should run along the eastern coast of North and South Korea, across to Seoul and north to Pyongyang to keep the North from shutting down the pipeline.

Kwon Won-soon, economics professor at Hankuk University of Foreign Studies, estimated the pipeline construction to cost about USD 2.24 billion and the annual commission for passage through North Korea at about USD 118 million in a forum on inter-Korean cooperation for energy and transportation infrastructure last week. Russian newspaper *Moskovskie Novosti* reported that Gazprom was hoping to deviate from its policy of taking responsibility for gas transport to the importing country in its gas supply contract.

Closer examination of the August 2011 summit simultaneously reveals both less and more than meets the eye. Russia used these talks to discuss options for the North to repay its debts to the Soviet Union, for which Russia is now the inheritor. Beyond the economic talks, Moscow agreed to discuss a resumption of military cooperation that will apparently assume the form of naval maneuvers (*Kyodo World Service*, August 22, 2011).

First, Russian officials admit that no pipeline is possible without strong guarantees from the North and South, neither of which has materialized although Seoul agreed in principle to a gas pipeline from Russia in 2008 and clearly prioritizes the search for reliable energy sources (Kang, 2008). Second, Kim actually agreed to nothing tangible. As a South Korean observer noted, if he was serious about a moratorium

on nuclear testing he would have addressed himself to Washington, not Moscow (Blank, 2011). Third, resuming the talks without preconditions directly clashes with the ROK, Japan, and US' continuing insistence on tangible denuclearization as a precondition for reopening the talks and thus is no concession, merely a propaganda stunt. Meanwhile nuclearization proceeds and becomes potentially more dangerous as it could lead to enhancement of North Korea's military capabilities. Indeed, US officials have begun to worry openly about North Korea's threats to strike at Guam, Hawaii, Alaska or even the continental United States (Choe, 2013). Fourth, Russia's agreement to provide this pipeline directly violates UN resolutions on sanctions to which it agreed and underscores Russia's delusion that North Korea can be induced to renounce nuclear weapons by rewarding it despite its long record of duplicity. Fifth, even though South Korea clearly wants to become a transcontinental commercial hub, it remains unclear if South Korea thinks much of these proposals made by Moscow, including the railway and pipeline, and the US silence about them testifies to Washington's disregard for them.

Finally, agreeing to establish a commission to investigate setting up the pipeline committed nobody to anything except exploratory discussions that can easily be slowed or terminated whenever it suits any of the parties. Thus Moscow was soon pressing Seoul to accelerate negotiations over the pipeline and accompanying price of its gas because the new DPRK government confirms its intent to realize this project (*Interfax*, in English, January 26, 2012; *FBIS SOV*, January 26, 2012). Yet predictably nothing happened after late 2011. Since constructing any multinational gas pipeline resembles negotiating a marriage, doing so under conditions as unpropitious as those currently on the Korean peninsula will inevitably be a long slow affair. Moreover, although North Korea certainly needs the revenues that the pipeline will generate, it will not rush to finalize an agreement lest others think it is more desperate than it really is for those revenues. Doing so contradicts virtually everything we know about Pyongyang's negotiating tactics.

One Russian article actually likened this agreement to the ill-

starred Molotov-Ribbentrop treaty of 1939 (*Novaya Gazeta*, August 23, 2011). Russian officials admit that no pipeline is possible without strong guarantees from North or South Korea, neither of which has been forthcoming even though the South agreed in principle to a gas pipeline from Russia in 2008. Neither Washington nor Seoul seem to think much of this deal, while Kim once again wants something (aid) for nothing, and promises to consider something in the future. Likewise talk about a gas pipeline is cheap but negotiating the detail is like making a long-term marriage contract. So far none of the key issues have even been agreed to (*Moskovskiy Novosti*, August 24, 2011).

### *B. Railway Proposals*

Discussions of the project to connect the Trans-Siberian Railway (TSR) with the Trans-Korean Railway (TKR), dubbed the "Iron Silk Road" or "Silk Road Express" have been under way for more than a decade, but geopolitical obstacles have hindered it, particularly given North Korea's nuclear and missile ambitions. Putin and Kim Jong-il agreed to revive North Korea's link to the Trans-Siberian Railway in August 2001, after Kim made his first train journey from Pyongyang to Moscow. The idea was to connect the South Korean port of Pusan with western Europe, by way of North Korea and then on to the 10,000-kilometer (6,200-mile) breadth of Russia. The route may become a major transportation line, challenging maritime routes through the Suez Canal by cutting the travel time in half and trimming costs by up to 75 percent. The 19-kilometer (12-mile) North Korean-Russian border, which cuts off northeastern China from a direct outlet to the sea, gives Russia a strategic wedge in a region dominated by China and Japan (*North Korean Economy Watch*, October 26, 2006).

Russia and North Korea began on October 6, 2008 the reconstruction of a railroad from Russia's Khasan to North Korea's sea port of Rajin, a project estimated at 150 million euros (USD 207 million). Russian Railways (RZD) CEO Vladimir Yakunin and North Korean Railways Minister Chon Kil-su attended a groundbreaking ceremony

in Tumangang on the border. The Russian rail monopoly and North Korea's Railways Ministry signed in April 2008 a contract for the reconstruction of the 55-km Khasan-Rajin section that will link Russia's Trans-Siberian railroad to the North Korean port city of Rajin. Eurasia's largest transcontinental railroad of over 10,000 km will be established as a result. Cargo transshipment from Asia to Europe along the route will take 14 days, while sea freight shipping takes 45 days. The completion of just the first stage of the project will make it possible to attract up to 100,000 containers annually to the Trans-Siberian railroad, a spokesman for Far Eastern Railways said (*Ibid.*).

The idea of linking Korea with Europe goes back 70 years, to when the peninsula was a Japanese colony. 'Pusan to Paris' was a Japanese slogan in the 1930s and something the South Koreans have now taken up (*Ibid.*). President Kim Dae-jung of South Korea, who was pursuing closer engagement with North Korea through his "Sunshine Policy," strongly backed the "the Iron Silk Road" project. Since then, despite delays over financing and feasibility, Russian Railways has kept the \$2.5-billion project alive.

Thus, practical implementation of the project began in 2008, when RZD and North Korea's Ministry of Railways signed a cooperation agreement. In October 2008, Tumangan station saw the ceremonial laying of the first link of the rails and sleepers that marked the beginning of the reconstruction of the Khasan — Rajin railway section (*North Korean Economy Watch*, June 25, 2013).

In 2009, a joint venture, RasonKonTrans, was set up by Russian Railways Trading House (70%), a subsidiary of RZD, and the port of Rajin (30%), in order to implement the project. RasonKonTrans has in turn concluded a 49-year leasing arrangement of the railway line between Tumen — Rajin with the Donghae company of North Korea's Ministry of Railways. The work was financed from RasonKonTrans' share capital, as well as by funds the joint venture was able to borrow based on the project's business plan. More than 5.5 billion roubles had been invested in the reconstruction of the Khasan — Rajin railway line and 3.5 billion roubles in the port terminal.

The project involves reconnecting the combined dual-track railway

with 1520 mm and 1435 mm gauges on the stretch from the Russian border to the port of Rajin in North Korea, a distance of 54 km. This includes the reconstruction of three tunnels, the repair of a border railway bridge and construction of a freight terminal with an annual capacity of 4 million tons at Port Rajin (*Ibid.*).

Rajin-Khasan railway section has been successfully rebuilt and opened for service with due ceremony in Rajin in September 2013. Present at the ceremony from the DPRK side were Jon Kil-su, minister of Railways, O Ryong-chol, vice-minister of Foreign Trade, Ri Chol-sok, vice-chairman of the State Commission for Economic Development, Jo Jong-ho, chairman of the Rason City People's Committee, Im Chon-il, consul general of the DPRK to Nakhodka, officials in the field of railways and people in Rason City. Present there from the Russian side were V. I. Yakunin, president of the "Russian Railways" Company, Alexei Tsijenov, vice-minister of Transport, Sergey Sidorov, first vice-governor of the Maritime Territory Administration, Alexandr Timonin, Russian ambassador to the DPRK, Vyacheslav Tsupikov, consul general of Russia to Chongjin, and Russians including those concerned with the railways (*North Korean Economy Watch*, September 25, 2013).

Indeed, this so called "Iron Silk Road" or "Silk Road Express" is one of four major potential transcontinental routes for Asia-Europe trade now being constructed besides the existing maritime route through the Suez Canal, the Indian Ocean and the Straits of Malacca all of which have immense geopolitical significance: the Arctic, Northern Sea Route (NSR), the US-Indian silk road project, China's silk road project, and the TSR-TKR. Russia has also proposed a north-south energy and trade corridor running from the Kara Sea through Russia and parts of Central Asia to the Persian Gulf known as the Trans-Asia Corridor of Development that would involve a network of energy pipelines, canals, railroads (Valvo, 2013). In other examples, China and Japan are locked in a major economic and political struggle over the development and financing of major railway and infrastructure projects in Malaysia, Indonesia, Vietnam, and Thailand. Similarly although both Russia and China share the use of the port at Rajin that connects to the railway, Moscow fears that China may use this port to

gain access to the Arctic and minimize thereby its commercial exposure in the developing NSR. Meanwhile China has also gained access to another North Korean port at Chongjin on the East China Sea. While China is interested in the DPRK's ports to gain access for its northeastern provinces, the Arctic connection is clearly not far from Russia's mind.

The most significant Arctic-related shipping development in China is the leasing of North Korea's port of Rajin by Hunchun Chuangli Haiyun Logistics Ltd, based in neighboring Jilin province, in north-eastern China. Rajin lies on the far north-eastern tip of North Korea, near its border with Russia. The company is private, but the lease was agreed on 'in cooperation with six Chinese ministries and the Jilin provincial government'. In 2008 a 10-year lease was signed for Rajin's Pier 1. This granted China access to the Sea of Japan for the first time since 1938. Although the Arctic was not mentioned in media reports about the lease, Chinese scholars presumably view Rajin as a potential Arctic hub. According to several Chinese analysts, the opening of Arctic shipping routes will be beneficial for the Tumen river area. In late 2011 the lease was extended for another 20 years. A year later, Hunchun Chuangli's parent company, Dalian Chuangli Group, was granted 50-year leases on Rajin's piers 4, 5 and 6." (Jacobson and Peng, 2012: 7-8).

Undoubtedly Chinese observers are concerned about China being excluded from this project because Professor Zhou Yongsheng, at the Institute of International Relations of China Foreign University urged China's inclusion in the project (*Yonhap*, in English, November 28, 2013; *FBIS SOV*, November 28, 2013). However, given China's immense lead in its Silk Road project and in Arctic shipping and the difficulties in getting North Korea to participate in this venture, one should not be excessively optimistic about Russia's chances here.

#### **IV. Russia-South Korea-North Korea Trilateral Cooperation in 2013-2014**

Whatever Pyongyang's reasons are for shelving Moscow's initia-

tives, the failure to date of these proposals to gain traction clearly has serious implications for Russia's Korea and overall Asian policies as well as the overall situation on the Korean peninsula. These two projects represent pillars of Russia's larger strategy of reestablishing Russia as an independent great Asian power that could actively display real commercial power and benefit other players as well (Zakharova, 2013: 141-145). Aleksandr' Vorontsov, a North Korea expert at the Russian Academy of Sciences, observed in 2012 that Russia's forgiving of the DPRK's debt was an important step opening the way to further economic and trade cooperation, including the advancement of further credits to North Korea and showed that the North Korean leadership and intelligentsia was adapting to a market economy with Russia's help. More importantly, he added that the development of the Asia-Pacific region is in our economic interests. If before, we talked about our potential to direct our oil and gas there when we needed to strengthen our negotiating position with the Europeans, now there are practical deals. Russia's turn to East Asia, especially in the spheres of infrastructure and energy, means the importance of the Korean peninsula will only grow (Elder, 2012).

Vorontsov's hyperbole points to what Moscow thought it had achieved or could achieve through this deal in 2011 even if it was and remains a fundamental misreading of North Korean trends.

The diplomatic process on Korea is again at a delicate crossroads now with the struggle mainly between China and the US-ROK alliance. Many analysts expected that Putin's return as president in March 2012 would reverberate in Korea (Kirk, 2012). Putin's distrust of the US carries significant implications for Korea. In his first year as president he visited Pyongyang in July 2000 and received the late leader Kim Jong-il in Moscow in August 2001 (*Ibid.*). Russia will want to build on its historic relations with North Korea. South Korea's new President Park Geun-hye since February 2013 hopes for broader relations with Russia as a counter to reliance on China and the US-Korea alliance.

*A. Russia-South Korea Relations in 2013-2014*

President Park Geun-hye announced in October 2013 her plan to expand economic cooperation with Eurasian countries for more trade opportunities. Called the Eurasian Initiative, the policy is centered on the idea that exchanges between South Korea and Eurasian nations, especially Russia, will help induce an opening up in the reclusive North, which lies in between, thus allaying the long-running military and diplomatic tensions on the Korean Peninsula. The task force, tentatively named the Trilateral South, North Korea, Russia Cooperation Task Force, was launched as soon as February 2013 under the wing of the foreign ministry's Europe division, according to the officials. Under the task force, about five government officials was charged with reviewing the feasibilities of various economic project ideas among the three nations, including much-discussed plans to link a railroad, gas and oil pipes, and electrical grids between South Korea and Russia through North Korea.

The issue of this railway has now become much more real for Russia and its potential as a transcontinental vehicle linking Asia to Europe and specifically Korea to Europe has become much more important. Putin is now pressing for the expanded use of this railway and its connection to other rail lines like the Baikal-Amur line and some South Korean media are also pressuring the ROK to do more to make this rail link a genuine reality. Accordingly it appears that both governments agreed to expand the use of this railway and clearly understand that it could be the prelude to other projects even in North Korea and could represent a contribution to regional security and stability and to the development of Russia's Asian territories.

A viable rail line or pipeline to South Korea would stimulate Russo-South Korean trade, and, along with the railroad, stimulate the ROK's plans to become a transcontinental trading hub competing with China. While inter-Korean railway service recommenced in 2007 after the Korean War severed that connection, North Korea closed it down by 2009 and it has not reopened. Still experts believe that the TSR-TKR project, if it comes to pass, would ship goods three times

faster than shipping through the Suez Canal even if it costs much more to use trains rather than container ships. Should that happen, Russia could then claim that its policy of involving North Korea in profitable deals works better than isolation.<sup>1</sup>

Putin arrived in South Korea from Vietnam on November 21, 2013 on a one-day visit for his second summit with Park. They first met in September 2013 on the sidelines of a Group of 20 major economies meeting in Russia's second-largest city of Saint Petersburg (*North Korean Economy Watch*, November 22, 2013). Putin's visit to Seoul was the first by a leader from the four major powers that also includes the United States, Japan and China since Park came into office. The Russian president was also the sixth foreign leader to visit South Korea under the Park administration (*Ibid.*).

In total, the summit produced 17 cooperation agreements, including a visa-exemption pact calling for allowing Koreans and Russians to visit each other's nation without a visa for up to 60 days, as well as an accord to set up cultural centers in each other's nation. The two leaders also signed an MOU to enhance cooperation in shipbuilding. Officials said the deal laid the groundwork for South Korea to win orders of at least 13 liquefied natural gas tankers from Russia on the condition of technology transfer. The railway project was on top of the agenda for the Park-Putin summit. "The two sides agreed to encourage the rail and port cooperation project that companies of the two sides are pushing for so that it can move smoothly forward," said a joint statement issued after the summit (*Ibid.*). "We, the two leaders,

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1. Russia is also floating a grand plan for an overland freight service along the Trans-Siberian railway from China to Europe. However, China currently has no plans to work with Russia on a Far East high-speed railway. Instead China has launched a global offensive to build low-cost high-speed railways, including Russia to undercut Japanese and potential Russian competitors. Chinese officials openly say that due to these railroad investments Chinese products will spread further, the image of Chinese brands will also improve, and the completion of these projects will "heighten China's political influence in the importing countries." (*Asahi Shimbun Online*, in English, August 5, 2010; *FBIS SOV*, August 5, 2010). Such projects help underscore why officials like Xi Jinping maintain that Russia is a vital market for China's "going global" business strategy.

agreed to combine South Korea's policy of strengthening Eurasian cooperation and Russia's policy of highly regarding the Asia-Pacific region to realize our mutual potential at the maximum level and move relations between the two countries forward," Park said during a joint press conference (*Ibid.*).

South Korea agreed to take part in a Russian-led rail and port development project in North Korea that could help reduce tensions with Pyongyang and open up a new logistics link between East Asia and Europe in line with President Park Geun-hye's "Eurasian Initiative." The memorandum of understanding was the most tangible outcome from Park's summit with Russian President Vladimir Putin. It calls for steel giant POSCO, Hyundai Merchant Marine Co. and Korea Railroad Corp. to participate in the Rajin-Khasan development project. The "Rajin-Khasan Project" is a cooperative one between North Korea and Russia. It's an integrated port and rail freight business, and is worth a total of USD 340 million. Of this, North Korea has invested 30 percent and Russia 70 percent. Around half the Russian stake is supposed to be supplied indirectly by this consortium of Korean firms. Putin proposed the creation of an intergovernmental company held by Russia (36%), South-Korea (34%) and North-Korea (30%). "In early February, 2014 South Korean companies paid an on-site visit to the Rason area and if this (cooperation project) goes smoothly, major progress would take place around September this year," Minister of Unification said of Seoul's push to join the Rajin-Khasan development project between Pyongyang and Moscow.

South Korea may be able to use the North Korean port city of Rason for logistical purposes as early as 2015. "The flow of goods through the Rason region may become possible around next spring if things go smoothly," Unification Minister Ryoo Kihl-jae said in a lecture to a group of former lawmakers (*Yonhap*, March 5, 2014).

Russian Far East ports are at saturation point dealing with Russia's natural resources. The best thing would be for the freight headed for South Korea to be taken out and sent through Rajin instead. However, for a South Korean vessel to come and go from Rajin Port requires an authorization process. This part is linked to the 5.24 Measures, mean-

ing that it would become possible more rapidly if the 5.24 Measures were lifted.

### *B. Russia-North Korea Relations in 2013-2014*

Russo-North Korean relations were apparently relatively frozen between the end of 2011 when Kim Jong-un ascended to power and late 2013. Indeed, the frost was so bad that in 2013 President Putin warned North Korea publicly and in Seoul, no less, that if it did not move on the proposal agreed to by Kim Jong-il in August 2011 to consider a trans-Korean gas pipeline connected to Siberian sources and an associated Trans-Siberian-Trans-Korean railway (TSR-TKR) Moscow might associate itself exclusively with Seoul in regard to investments in North Korea and the gas pipeline. Speaking at the 2013 APEC summit in Bali, Russian President Vladimir Putin, announced that, "We are already building an infrastructure link from Sakhalin Island to Vladivostok, from where the pipeline could go on to South Korea either via North Korea or via the sea route." (Kremlin, 2013) In November 2013, while visiting Seoul, Putin reiterated his offer to South Korea of this pipeline, other investment projects, including joint investments in North Korea, to South Korea, and also the venerable idea of a Trans-Siberian and then Trans-Korean railway connected to it (TSR-TKR) (*FBIS SOV*, November 13, 2013).

In Bali and Seoul Putin effectively warned North Korea that if it did not move quickly Russia would then nullify its 2011 proposal to build a pipeline and the TSR-TKR project and give up on North Korean participation in those projects. Indeed, the fact that at Seoul Putin offered to collaborate with South Korea on projects inside North Korea without inviting the DPRK suggests that he and Russia may be trying to bring about a form of inter-Korean cooperation mainly or exclusively through South Korean means. As Gilbert Rozman has noted,

In 2012, Russian leaders seemed intent on shifting South Korean relations onto a new track, avoiding lengthy discussions on North Korea

while concentrating on economic ties linked to development of the Russian Far East. The impact would refocus Russia's shaky geopolitical identity in the moribund Six-Party Talks to an identity as an economic partner in what could be seen as regionalism focused on multilateral energy cooperation (Rozman, 2013: 122).

Former Foreign Minister, Igor Ivanov claimed that Russia could play a significant role in the inter-Korean settlement by developing economic relations with South Korea, i.e., not North Korea (*Interfax-AVN Online*, in English, November 12, 2013; *FBIS SOV*, November 12, 2013).

Similarly Russian analysts like Aleksandr' Zhebin of the Russian Academy of Sciences Far East Center, Institute for Korean Studies, wrote recently that North Korea often acted in the past without regard for Russian interests and this is happening again with its nuclear and missile programs. These processes create crises that almost approached in intensity the Cuban missile crisis. In the current situation North Korea's policies could trigger the "most unexpected developments." Zhebin also argues that for North Korea it is still important to demonstrate the existence of the "Moscow alternative to the United States and its allies and also to China", indicating that he sees Russia as pursuing Korean objectives that are distinct from both the U.S. and China. He therefore warned Pyongyang, that "The degree of support and understanding that the DPRK can expect from Russia must clearly be directly proportionate to Pyongyang's readiness to consult with Moscow on questions directly affecting our security interests." (Zhebin, 2013). This warning, of course, indicates Moscow's chagrin at the fact that North Korea does not give Russia a veto or even leverage on its decisions whether or not they affect Russian security interests, *vita* or otherwise.

This North Korean tendency becomes all the more alarming for Moscow when it considers that the Six-Party Talks already confront an exceedingly dangerous and possibly disintegrating security situation on the Korean peninsula. Moscow also remains concerned about the lack of progress on resuming the Six-Party talks. In October 2013

Foreign Minister Sergei Lavrov warned all parties against "muscling up" in Korea and urged the quickest possible resumption of negotiations (*Interfax-AVN Online*, in English, October 11, 2013; *FBIS SOV*, October 11, 2013). If that analysis is correct it would mean a noticeable change in Russian policy that tried very hard to engage directly with North Korea after 2010 for fear of another outbreak of violence on the Korean peninsula. In that context Moscow launched a diplomatic initiative towards North Korea in 2011 connected with these two proposals. Indeed, in December 2013, Putin signed a decree extending sanctions on North Korea and placing North Korean diplomats under "extreme vigilance" (*Voice of Russia*, 2013).

Evidently, however, Pyongyang has finally changed its mind beginning January 2014. Since the start of 2014 signs have multiplied that North Korea is not only showing renewed interest in Russian economic ties but that Russia also is increasingly supportive of the DPRK's political line and that it is becoming more deeply engaged with North Korea. Russo-North Korean rapprochement that we see clearly represents policy decisions made by both sides and which therefore must be explained, not merely presented. The collapse of East-West relations in the wake of the invasion, occupation, annexation of Crimea, and subsequent incitement of unrest throughout Eastern Ukraine will probably add to the forces driving Pyongyang and Moscow together again. As Scott Snyder has recently observed,

Since the beginning of 2014, a series of high-level Russian delegations have visited Pyongyang to bolster economic cooperation. Following Russia's annexation of Crimea and rising tensions between Russia and the West, the Russian temptation to be a spoiler in Korea is greater than before. Despite rhetorical support for North Korea's denuclearization, Moscow has stepped up economic cooperation efforts with Pyongyang, including a growing willingness to host North Korean labor in the Siberian logging industry, and the completion of a railway connection from the Russian Far East to North Korea's year-round ice-free port at Rajin that might be used to increase Russian coal exports to Asia (Snyder, 2014).

Similarly an Indian assessment observed that,

Russia has waived huge loans (US \$10 billion) owed by North Korea since the Soviet times and has offered US \$1 billion for a trans-Siberian railway project through North to South Korea, received [the] North Korean president at the Sochi winter Olympics, and sent a ministerial delegation on a visit to Pyongyang to sign up an important economic and trade cooperation. The refashioning of ties between the Cold War allies might add heft to Pyongyang's hard stance for resumption of the six party talks without preconditions. The G7 brandishing to Putin [of] more sanctions for Russian actions in Ukraine may have the effect of diminishing Russian interest in tighter sanction on North Korea (Sharma, 2014).

At a press conference on January 21, 2014 Foreign Minister Sergei Lavrov again blasted the U.S. for over-reacting militarily an exaggerating whatever threat North Korea might present. Indeed, he noted that the DPRK was signaling its willingness to resume the long suspended six-party talks without preconditions and obliquely referred to new North Korea-Russia contacts in the working groups that derived from the suspended six-party negotiations. Thus Lavrov again reiterated the Russian line that US military pressure is at least as much to blame for North Korea's nuclear tests and programs as North Korea's own obduracy (*Interfax*, in English, January 21, 2014; *FBIS SOV*, January 21, 2014).

On January 24, in a major speech, Lavrov again insisted that there was no alternative to resumption of these six-party negotiations and that North Korea was willing to talk without preconditions. He then added that Russo-North Korean relations were developing intensively and eventfully. He repeated that Russia is ready to implement plans with both Korean states regarding energy, railway, and electricity projects including all three countries (Ministry of Foreign Affairs of the Russian Federation, in English, January 24, 2014; *FBIS SOV*, January 24, 2014).

Finally in March 2014, Aleksandr' Galushka, Russia's Minister for the Development of the Far East and the Russian Chairman of the inter-Governmental Committee for Cooperation, Trade, Economics, Science, and Technology and his entourage arrived in Pyongyang for

talks. Indeed, on March 26 despite another North Korean missile launch Russia counseled restraint (*Interfax*, in English, March 17, 2014; *FBIS SOV*, March 17, 2014).

Since then Moscow has written off 90 percent of North Korea's debt and will convert the rest into equity in DPRK investments. This signifies a more welcoming attitude towards a more likely relationship with North Korea that could be described, like Syria's connections with Russia as being a "strategic partnership" (*Reuters*, April 19, 2014). At the same time, and as originally planned in 2012, the balance of the debt that will be converted into equity investments in North Korea will probably go to energy, health, and education projects that could include some of the financing for the Khasan-Rajin railway and Russia's long-sought after gas trans-Korean pipeline (Elder, 2012). Deputy Prime Minister Yuri Trutnev, Moscow's regional viceroy for the Far East, also recently visited North Korea to discuss energy projects. Russia also has supported North Korea's position regarding its nuclear issues, namely the need to resume the Six-Party Talks without preconditions. Apart from its penchant for blaming the US for North Korea's nuclearization, Moscow also stated in March, 2014 that all parties ought to consider each other's concerns, another instance of justifying Pyongyang's actions. In April the Ministry of Foreign Affairs voiced its concern that the upcoming joint US-ROK drills would affect regional security and escalate tensions around Korea. It called for a cessation of US-ROK military actions and formation of a multilateral security mechanism in Northeast Asia, a truly hoary Russian chestnut (Ministry of Foreign Affairs of the Russian Federation, in Russian, April 10, 2014; *FBIS SOV*, April 10, 2014). On April 27 the Chinese publication Sina released satellite photos of the Russian made aircraft on North Korea's Sunch'o'n base, comprising MiG-29, SU-25, MiG-21BS, MiG-19 and other aircraft. Thus here too, far from contributing to peaceful resolution of disputes Moscow is contributing to their incitement (*SINA*, April 27, 2014).

## V. Conclusion

The pipeline and railway obviously comprised part of a larger grand design for both Moscow and Seoul to form a partnership here that would be at China's expense or at least would compete with China. Moreover, such ideas continue to grow in importance and, if anything, are becoming more important as the Arctic becomes more open to international trade and both South Korea and Russia strive to take advantage of that trend for their individual and mutual benefit. Indeed, this so called "iron silk road" is one of five major potential transcontinental routes for Asia-Europe trade now being constructed all of which have immense geopolitical significance. South Korean and Japanese analysts also believed (at least until the recent purge in North Korea) that China's role will grow. Meanwhile China has lost no time in strengthening its relations with and presumably its influence over the new regime in North Korea though the purge may set those efforts back. Indeed, since Moscow's deeply rooted anti-Americanism drives its policies and leads it to bandwagon with China against the U.S., it is likely that it will support this expansion of Chinese influence if it serves to restrain further North Korean provocative behavior. Moreover, China is now, perhaps due to the pressure of the US "rebalancing" to Asia calling for enhanced cooperation with Russia on Asian security, probably including the Korean peninsula. Russia will likely support China against the US in Korea even as it continues to look covertly for ways to expand its influence in the DPRK at China's expense just as it does with Japan. Thus in 2010 Russian investigators covered up their report on North Korea's sinking of the South Korean vessel Cheonan largely because China did so too and Moscow has usually if not consistently followed China's lead in the six-party talks and Korean issues generally.

However, Moscow cannot get increased leverage in Northeast Asia by following China's lead and there is no guarantee that Kim Jong-un's regime will follow through on the August 2011 summit if it sees China giving it a better deal or if China objects. Although China has not objected to the August summit and actually hosted Kim on

his return from Russia, it will not allow Russia to supplant it as the leading foreign influence in Pyongyang. Russia may negotiate with South Korea over a more direct underwater pipeline and upgrade some of its standing in Seoul and it may even be able to increase LNG supplies to South Korea from Sakhalin or Vladivostok. But building such a pipeline takes years even if negotiations move quickly and the costs of building such an underwater pipeline are enormous. Moreover, Russia's record of implementing its grand designs leaves much to be desired and the global gas market is changing rapidly in fundamental ways that could leave Russia behind.

There still is no concrete sign, despite much activity of a major South Korean investment in Russian energy or the Far East that could galvanize a worthwhile alternative to China either in energy or development of the Russian Far East. Neither does Russia have any real chance to compete with China or the US for influence in Seoul.

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