



Economic cooperation between Russia and North Korea: New goals and new approaches [☆]



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ABSTRACT

For many years the Soviet Union was the key economic partner of North Korea. After the USSR broke up, Russia has not played such an important role in the DPRK's economic development. In 2013, its share in the foreign trade of North Korea accounted for a mere 1%. However, in the second decade of the 21st century bilateral, contacts have intensified significantly. Judging by the recent developments, the Russian leadership has made a political decision to expand economic cooperation with North Korea and stimulate Russia's business interests with the DPRK. Russia has set a goal of growing the volume of its trade with North Korea by a factor of ten by 2020. Moreover, Moscow is currently developing a number of investment projects in the DPRK and Russian companies are also looking at developing more of them. Another important aim for Russia is the implementation of big infrastructure projects with both Koreas. The article examines the current position and future prospects for economic cooperation between Russia and North Korea and analyses main forms and potential opportunities for developing bilateral economic relations. Particular attention is paid to the expanding cooperation mechanisms and joint economic projects between Russia and the DPRK and also the potential participation of the Republic of Korea.

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1. Introduction

Unlike China–North Korea and inter-Korean economic relations, the subject of economic cooperation between Russia and North Korea in the 21st century is relatively unexplored in the broad academic community. The main reason for this is the small volume of bilateral trade, as well as the problems with the availability of data. In the early 21st century, Russian experts in Korean studies have now prepared a number of articles devoted to the subject of Russian–

North Korean economic cooperation¹. Some aspects of bilateral economic relations have been covered in monographs and articles dedicated to the Russian policy on the

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[☆] The paper was written before the UN Security Council adopted Resolution 2270 with a new set of economic sanctions against the DPRK and does not analyse their impact on Russia–North Korea economic cooperation.

- ¹ Leshakov, P.S. (2005). Russia's Role in the Policy of Economic Engagement of the DPRK. *Korea: New Horizons*. Moscow: IFES RAS. 201–208.
Leshakov, P.S. (2012). Economic Challenges to the New Political Leadership of the DPRK and Prospects of the Russian–North Korean Relations. *The Korean Peninsula: on the Eve of Changes*. Moscow: IFES RAS. 43–53.
Suslina, S.S. (2006) Russia's Economic Impact on the ROK and the DPRK in the Context of Integration Processes in the NEA. *Korean Peninsula and the Challenges of Globalization*. Moscow: IFES RAS. 114–126.
Trigubenko, M.E. (2006). Russia's Trade and Economic Relations with the ROK and the DPRK. *Korean Peninsula and the Challenges of Globalization*. Moscow: IFES RAS. 127–133.
Zabrovskaya, L.V. (2010). A New Tendency in Russian–North Korean Regional Economic Contacts. *The Korean Peninsula: History's Lessons*. Moscow: IFES RAS. 293–299.

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Korean peninsula². Economic cooperation between Russia and the DPRK has also been studied as part of the research on external economic relations of North Korea³ and Russian–North Korean relations in general⁴.

The purpose of this study is to present an overview of the information available on the subject, explore the phenomenon of the development of Russian–North Korean economic relations in the 21st century, and identify the main features and trends.

The methodology of studying economic relations between Russia and the DPRK is based on the systems approach. The author investigates basic components of the system structure (cooperation mechanisms, trade, investment, interregional cooperation, etc.), its features, functions, internal ties and interaction with the international environment. Due to the nature of the research subject special importance is attached to exploring the strategic positions of the two countries' governments which currently determine the development of bilateral economic relations. The comparative method was used to identify major common points and differences in the stances of the Russian and North Korean authorities.

The main information sources are official documents and press releases of the Russian government bodies and companies that are doing business with the DPRK, as well as the author's conversations with Russian representatives from different spheres who have practical experience of working with North Koreans. Statistical data have been sourced from the Federal Customs Service of Russia and related companies.

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² *Korean Settlement and Russia's Interests*. (2008) // Edited by V.I. Denisov and A.Z. Zhebin. Moscow: IFES RAS, "Russian Panorama". 189–220.

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³ Haggard, S., Noland, M. (2007). *North Korea's External Economic Relations*. Peterson Institute for International Economics. Working Paper Series. August 2007.

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⁴ Buszynski, L. (2009). *Russia and North Korea: Dilemmas and Interests*. *Asian Survey*. Vol. 49, No. 5 (September/October 2009). 809–830.

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2. The political and economic background of Russian–North Korean economic relations

During the Cold War, the Soviet Union was an important economic partner for North Korea. In the 1970–1980s, its share in the DPRK's foreign trade accounted for 25–50%. In 1990, it reached 53.3% or \$2.2 billion⁵. At that time, economic relations between the two countries were largely based on favourable prices and credit. The Soviet Union also provided North Korea with preferential technical assistance. By the early 1990s, the facilities built in the DPRK with Soviet help produced up to 70% of electricity, 50% of chemical fertilisers, and about 40% of ferrous metals. The aluminium industry was created entirely by Soviet specialists. Approximately, 70 large industrial enterprises in North Korea were built with the assistance of the USSR⁶.

After the Soviet Union broke up, the new Russian leadership decided to prioritise economic cooperation with South Korea over formerly brotherly relations with North Korea. This radical turn in the early 1990s led to an almost complete freeze in the relations with the DPRK and a decline in bilateral economic ties. Implementation of joint projects was interrupted. The new system of account settlement in hard currency caused a sharp reduction in trade between the two countries. In 1995, the bilateral trade turnover amounted to mere \$83 million⁷.

Within a few years, Moscow realised that equidistance diplomacy towards the two Koreas works best for the interests of Russia⁸. The beginning of the 21st century brought an improvement to Russian–North Korean relations. A new intergovernmental Treaty on Friendship, Good Neighborly Relations and Cooperation was signed in February 2000. The parties agreed to create favourable legal, financial and economic conditions to actively promote the development of trade, economic, scientific, and technical relations between them. Russian President Vladimir Putin visited Pyongyang in July 2000. And North Korean leader Kim Jong Il paid two visits to Russia – in 2001 and 2002. The new treaty laid legal basis of modern relationship between Russia and North Korea, and the agreements signed at the summits outlined priority areas of future cooperation. In particular, the Moscow Declaration of the Russian Federation and the DPRK signed on the 4th of August 2001 mentioned such spheres of economic cooperation as “reconstruction of enterprises built by joint efforts particularly in electric energy industry” and “the project of creating a railway transport corridor linking the North and the South of the Korean Peninsula with Russia and Europe”.

The current Russian policy is generally assessed as characterised by a high degree of pragmatism and lack of ideological approach⁹. In February 2013, the Russian President approved a new Foreign Policy Strategy for the Russian Federation. According to this document, Russia aims to maintain friendly relations with the DPRK and the ROK based on the principles of mutually beneficial cooperation. Russia

⁵ Leshakov, P.S. (2005). 201.

⁶ *Korean Settlement and Russia's Interests*. (2008). 84.

⁷ Leshakov, P.S. (2005). 202.

⁸ Kim, D.J. (2012). 395.

⁹ York, R. (2015).

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