



## Kim's Russia Visit: Evaluating Diplomatic Currency



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## *Summary*

It is apparent that both Russia and North Korea are seeking diplomatic currency. But so long as North Korea's nuclear weapons programme remains an unresolved issue, Russia's plan for a trans-Korean gas pipeline, however mutually beneficial that may be, is likely to remain unachievable.

The North Korean leader Kim Jong-II made a rare eight-day trip to Russia, beginning from August 24, 2011, at the invitation of the Russian President Dmitry Medvedev. This was Kim's first visit to Russia since 2002 when he had met the then Russian President Vladimir Putin in Vladivostok. In July 2001 too, Kim had made a 24-day trip to Moscow and other Russian cities. Security analysts of the Northeast Asian region have interpreted the significance of Kim's August 2011 visit in several ways, notwithstanding the fact that both countries have had numerous divergent policy objectives.

Kim's summit meeting with Medvedev focused on Pyongyang's nuclear weapons programme as well as bilateral economic cooperation projects. The significance of the visit can be studied in the backdrop of a growing understanding between the two countries on the need to cooperate politically and economically.

Russia was once the strongest supporter of North Korea and played the role of a power balancer in the Far East. Its role in the Korean Peninsula was important as the strategic interests of the three countries – China, the US and Russia – often clashed in the region. Security watchers believe that as China's power rises militarily and economically, Russia too is seeking to leverage its position in the region. Russia has also been concerned about the expanding US influence in Northeast Asia. **Kim's visit to Russia may be regarded as significant in view of certain geo-political developments taking place in the region.**

One view is that by extending the invitation to Kim, Russia was demonstrating its desire to re-establish some of the influence which it once exercised over North Korea. Russia shares a border with North Korea and is cognizant of the fact that the latter still adheres to a brand of Soviet socialism. However, over the past few years, while Russia's influence over the North Korea has steadily declined and its relationship with South Korea has developed in a friendly manner; North Korea has moved much closer to China. This has added to the Russian worry as the Chinese influence grows in Northeast Asia.

Having developed close economic and political relationship with South Korea, Russia would not like North Korea to indulge in any provocation aimed at South Korea, particularly ahead of the APEC summit in Vladivostok in September 2012. Russia thinks that it can play a role in preventing such a possibility by expanding the North-South interaction through economic cooperation.<sup>1</sup>

### **Motives behind Kim's Russia visit**

The primary aim of Kim's visit to Russia was to gain Moscow's support on the nuclear issue and to strengthen bilateral economic ties. Moscow was Pyongyang's principal

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<sup>1</sup> Yeo In Gon, "The Bilateral Value of the Summit", *DailyNK*, August 26, 2011, at [http://www.dailynk.com/english/read\\_print.php?catald=nk03600&num=8104](http://www.dailynk.com/english/read_print.php?catald=nk03600&num=8104)

mentor until the collapse of the Soviet Union. Thereafter, China used the opportunity to strengthen ties with Pyongyang economically and as a counterweight to the US influence in the Peninsula. This is not to suggest that Moscow-Pyongyang relationship suffered at the expense of growing bonhomie between Pyongyang and Beijing. Russia and North Korea continued to maintain cordial ties, though in relative terms it was weaker *vis-à-vis* Pyongyang-Beijing ties.

The timing of Kim's Moscow visit was significant. Analysts in South Korea see Kim's trip as an attempt to secure Russian endorsement and support for his plan to transfer power to his heir-apparent, his youngest son Kim Jong-un. The father-to-son succession, if pushed through, would mark communism's second hereditary power transfer. Kim has vowed to make North Korea a "strong and prosperous nation" ahead of the 100<sup>th</sup> birthday of his father and the country's founder, Kim Il-sung, in 2012. Kim has thus raised the stakes for the regime as it aims to consolidate support for the "Young General." Another primary objective of the visit seems to be to obtain Russia's support for Pyongyang's attempt to ease diplomatic isolation and resume the stalled six-party talks on its de-nuclearisation.

According to some experts on Northeast Asian security issues, Kim's trip is linked to Pyongyang's strategy of "balanced diplomacy" between Beijing and Moscow. Interestingly, while Kim's visit to Moscow in August 2011 came after 9 years, he made his third trip to China in just over a year in May 2011. When Kim traveled aboard a special armoured train and reached Siberia, President Medvedev flew 5,000 kilometers to greet the North Korean leader. Later, Kim visited Manchuria, the northeastern region of China as well.

Kim's stopover at the Russian border city of Khasan before arriving in Khabarovsk without stopping in Vladivostok was equally significant. His visit to the 2,000-megawatt Bureiskaya hydropower station in eastern Siberia's Amur region was indicative of his interest in energy deals with Russia. After touring the power station, Kim visited Ulan-Ude and took a tour to the manufacturing plant of Sukhoi fighters and helicopters.

During the summit meeting with Medvedev at a military base on the outskirts of Ulan-Ude on August 24, Medvedev hailed Kim as a "partner" and announced that North Korea was ready to resume the stalled six-party talks "without preconditions" on ending its nuclear weapons programs. There is so far no sign of Pyongyang honouring its September 2005 pledge to give up its nuclear weapons programme. Tokyo, Seoul and Washington have insisted that Pyongyang should demonstrate some commitment in this regard before talks could resume.

### **Russia's interests**

It may be recalled that Pyongyang had quit from the disarmament-for-aid talks in 2008

and went on to conduct nuclear tests in 2009, and engaged in provocative acts against South Korea (first attacking and sinking a South Korean ship, *Cheonan*, killing 46 sailors in March; and then shelling a South Korean island killing four people in November) in 2010. Japan, the US and South Korea have since tried to explore various strategies to get North Korea back to the negotiating table. North Korea's recalcitrance has thus far frustrated all efforts made in this regard. China's role has always been questionable and it is suspected that China has been using North Korea to expand its own influence and power across East Asia. Russia probably believes that it can solve three problems together by strengthening its engagement with North Korea. These are: North Korea's possible return to the six-party talks, de-nuclearisation of the Korean Peninsula, and normalisation of talks between the two Koreas. From Pyongyang's perspective, Kim's visit was an opportune moment to secure Moscow's support and endorsement for the succession of Kim Jong-un by promoting economic, political and diplomatic ties with Russia.

North Korea is an impoverished country struggling to secure external food assistance. As its economic condition continues to deteriorate, Pyongyang is desperate to reach out to the world. It has asked Moscow to send 50,000 tonnes of grain to help it cope with food shortages after devastating floods. Russia has agreed to make the shipment soon. This is the biggest aid package Russia has so far offered to North Korea in the past two decades.

Apart from reaching out to both Beijing and Moscow, Kim has expressed interest to rejoin the discussion that also involves the two Koreas, the US and Japan. Indeed, there have been flurry of diplomatic efforts to coax the North to give up its nuclear weapons programme in return for aid and diplomatic concessions. Pyongyang knows that if it agrees to a moratorium, it would not be able to carry out further nuclear and missile tests. Kim's visits to China and Russia may temporarily help in bailing out Pyongyang from the economic and political challenges it is faced with, but such *ad hoc* measures would not ensure peace for the region.

### Gas pipeline project

One high point of the Kim-Medvedev summit was the discussion over the gas pipeline project connecting Russia's Siberian region with South Korea. This will facilitate Russia's economic cooperation with North Korea as well. If Russia-North Korea economic ties expand, it will not only benefit both the countries but will also address the energy needs of South Korea and Japan. All these countries stand to benefit by connecting the Trans-Siberian and Trans-Korean Railways, establishing a gas pipeline from Russia to the Korean Peninsula, and integrating power transmission networks in the region. It is important to note here that South Korea is one of the world's largest natural gas consumers. How does this serve Russia's interests? For example, in the case of a natural gas pipeline, Russia gets an opportunity to expand its overseas markets by supplying to

both South Korea and Japan. Russia wants new outlets to market its vast energy resources and at the same time reduce its dependence on China for access to Japan and South Korea. Russia also believes that the gas prices will rise as there is a rising demand in Japan for natural gas due to the disruption of nuclear power after the meltdown at the Fukushima Daiichi nuclear power plant.<sup>2</sup>

The foundation for the gas pipeline project was laid in September 2008 when Russia and South Korea signed a MoU to push forward a project in which Seoul will import at least 7.5 million tonnes of natural gas from Russia's Far East and Siberia annually for 30 years through a pipeline coming *via* North Korea. Further negotiations on the project were stuck for some time though Russia kept pushing North Korea to join the deal. Alexander Ananikov, a vice head of the *Gazprom*, Russia's state gas company, visited North Korea and discussed the issue with cabinet Vice Premier Kang Sok-ju in July 2011.

Apart from North Korea earning approximately \$100 million annually in transit fee, it can also expect to earn more than \$500 million annually in handling charges over the gas pipeline.<sup>3</sup> The proposed pipeline would stretch for more than 1,700 km and could transport up to 10 billion cubic metres of gas per year.<sup>4</sup> As North Korea seemed supportive of the idea of a natural gas pipeline running through its territory to South Korea, the need for a special commission comprising of representatives from all three countries to look into the issue was endorsed. South Korea imports around one-fifth of the natural gas it consumes every year from Russia and if it imports through pipeline running through North Korea, it would come at cheaper prices.

In theory, if Russia accords North Korea a stake in such a deal, it would help integrate it into the Northeast Asian regional economy and might diminish its inclination to cause trouble. North Korea owes Russia an estimated \$11 billion debt from the Soviet-era and Russia hopes to recover some of it through such economic deals. Russia has not extended loan/credit facilities to North Korea since the collapse of the Soviet Union in 1991 as the latter has not settled its Soviet-era debt so far.<sup>5</sup> However, it is more likely that "Pyongyang sees the deal as a way to extract badly needed currency (from Russia's purchase of construction and transit rights) as well as to develop a new lever to squeeze South Korea

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<sup>2</sup> 'Gas Pipeline Through N.Korea 'Part of a Bigger Game'', *The Chosun Ilbo*, August 26, 2011, at <http://english.chosun.com/svc/news/printContent.html>.

<sup>3</sup> Yei In Gon, 'The Bilateral Value of the Summit', *DailyNK*, August, 26, 2011, at [http://www.dailynk.com/english/read\\_print.php?catald=nk03600&num=8104](http://www.dailynk.com/english/read_print.php?catald=nk03600&num=8104).

<sup>4</sup> Khristina Narizhnaya, 'Kim Endorses Trans-Korean Pipeline', *The Moscow Times*, August 25, 2011, at <http://www.themoscowtimes.com/print/article/kim-endorses-trans-korean-pipeline/442642>.

<sup>5</sup> 'North Korea owes \$11 billion of debt to Russia, Storchak says', August 24, 2011, at <http://www.sfgate.com/cgi-bin/article.cgi?f=/g/a/2011/08/24/bloomberg1376-P90RCS6M>.

when relations sour.”<sup>6</sup> Also, when Kim visited Bureiskaya hydropower plant, the largest in Russia’s Far East, it had led to speculations that the two countries could discuss enhancing bilateral cooperation in energy. Recently, Russia has proposed to transmit surplus electricity produced by the Bureiskaya power station to the Korean Peninsula.<sup>7</sup> Russia also floated the idea of connecting its Trans-Siberian Railway with South Korea *via* North Korea, which would provide cheaper shipping routes for South Korean companies selling goods to Europe. However, given the hostile relations that exist between the two Koreas, such assumptions could be far fetched.

Building a gas pipeline connecting Russia with both Koreas will be a gigantic task. The proposed idea of a trilateral infrastructure development initiative between Russia, North Korea and South Korea would mean that the three parties need to discuss the issue of sharing the financial burden of construction, fixed supply prices as well as a backup plan in case North Korea shuts off the pipeline for some reason.

The project could provide an opportunity for Seoul and Pyongyang to build trust through sincere discussions. So far, Pyongyang has shown little interest in improving relations with the South. But now it seems to have realised that embracing the South could be a way of gaining international attention and also signaling its desire for cooperation and rapprochement. Pyongyang’s interest in the pipeline deal after years of silence could be reflective of its desire to improve inter-Korean ties.<sup>8</sup>

Russia has realised that South Korea’s energy market holds great potential. South Korea heavily relies on imports to meet its energy requirements. It is the fifth largest net importer of oil and the second largest importer of LNG in the world after Japan. At present, South Korea does not have any international oil or natural gas pipelines and relies exclusively on tanker shipments of LNG and crude oil. The Russian initiative for a gas pipeline running through North Korea would thus help in overcoming such constraints. Moreover, Russia can leverage its position and perhaps play a more significant role in resolving the North Korean crisis.

The fact that no joint statement was issued following the meeting between Medvedev and Kim conceals more than it reveals about what objectives are likely to be achieved. Both sides chose to release in the form of reports the content of their discussions that focused on restarting the six-party-talks, increased mutual interaction, and the issue of trilateral relations with South Korea. Both Russia and North Korea were of the opinion

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<sup>6</sup> ‘Mr. Kim goes to Russia’, *The Japan Times*, August 29, 2011, at <http://search.japantimes.co.jp/cgi-bin/ed20110829.html>.

<sup>7</sup> ‘Contents and meaning of DPRK-Russia summit’, *Vantage Point*, 34 (10), October 2011, p. 9.

<sup>8</sup> ‘Russian Gas Pipeline Could Improve Inter-Korean Ties’, *The Chosun Ilbo*, August 25, 2011, at <http://english.chosun.com/svc/news/printContent.html>.

that they need to move simultaneously to restart the six-party-talks and implement the contents of the September 19, 2005 agreement. In other words, Russia was more or less supportive of Pyongyang's basic position.<sup>9</sup>

## Assessment

Though the summit level discussions between the two countries may be regarded as laudable in terms of restoring some semblance of regional peace, neither the nuclear negotiations nor the proposed pipeline is likely to fructify anytime soon.<sup>10</sup> However, the talks demonstrated signs of shifting regional dynamics.<sup>11</sup> For Moscow, it was an opportunity to re-establish itself as a player in Northeast Asia. For Pyongyang, it was an opportunity to strengthen its position should nuclear talks resume anytime soon. Pyongyang needs friends but is not likely to abandon the option to conduct a third nuclear test as it strives to emerge, to put it in the words of Kim, a "strong and prosperous nation."

What was Pyongyang's gain from the visit? There is no doubt that Pyongyang obtained various political and economic benefits. First, Kim received Russia's acquiescence to the third generation succession.<sup>12</sup> This is because Russia felt stability of the Korean Peninsula was of vital importance. Second, North Korea sought to secure Russian crude oil and investments, and approval for its work force to seek jobs in the Russian Far East.

Indeed, Pyongyang's charm offensive first towards China and now Russia, and its willingness to re-engage the US and South Korea, reflects a shift in North Korea's policy - from that of belligerence to engagement - with a view to achieving its long-term objectives. Such a policy shift is probably driven by economic considerations, which the North Korean leadership feels could only be dealt with through diplomatic means alone. Seen from this perspective, Pyongyang's quest for aid and economic investments could moderate the regime's behaviour in the near-term. But if Pyongyang ever feels that it is not able to achieve its objectives, it could revert to its provocative and confrontational strategy.<sup>13</sup> In the past, Pyongyang has "often displayed a simultaneous, schizophrenic implementation of both tactics to unnerve and undermine its opponents"<sup>14</sup> and therefore its latest outreach efforts need to be viewed with a sense of skepticism as well.

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<sup>9</sup> Ibid.

<sup>10</sup> "North Korean gas project may be just a pipe dream", *The Asahi Shimbun*, August 26, 2011, at <http://www.asahi.com/english/TKY20110825249.html>

<sup>11</sup> "Russian Gas Pipeline Could Improve Inter-Korean Ties", n. 8.

<sup>12</sup> "Mr. Kim goes to Russia", n. 6

<sup>13</sup> Bruce Klingner, "From Russia with Skepticism", *DailyNK*, August 26, 2011, at [http://www.dailynk.com/english/read\\_print.php?catald=nk03600&num=8098](http://www.dailynk.com/english/read_print.php?catald=nk03600&num=8098)

<sup>14</sup> Ibid.

It was reported that during the summit talks with Medvedev, Kim promised a nuclear and missile moratorium. The Russian spokesperson later clarified that North Korea was ready to resolve the question of imposing a moratorium on tests and production of nuclear missile weapons. This means that Pyongyang can still extract concessions if the six-party-talks resume. Even in the past, Pyongyang had made vague promises only to violate them subsequently. For example, in December 2010 when New Mexico Governor Bill Richardson made a trip to Pyongyang, he declared that the regime would allow International Atomic Energy Agency (IAEA) inspectors to return to the North Korean facility in Yongbyon to ensure that Pyongyang was not processing highly enriched uranium and that the programme was meant for peaceful purposes. It later transpired that Pyongyang never made such a pledge publicly and nor it intends to carry out things it was reported to have stated. Therefore, the recent Russian statement that Pyongyang was ready for self-imposed moratorium on nuclear testing and production of nuclear missile weapons cannot be viewed without scepticism.

## Conclusion

Even if North Korea makes a formal announcement for nuclear and missile moratorium, and invites IAEA inspectors, it is unlikely to provide any impetus to resuming multilateral nuclear negotiations. Given Pyongyang's past behaviour, none of the participating countries are expected to pin high hopes on the six-party talks.

The other narrative is that Pyongyang is trying to reduce its economic dependence on China. Han Suk-hee, an expert on China-North Korea relations at Seoul's Yonsei University, has argued that the primary purpose of Kim's visit to Russia was to check China's growing influence by strengthening its ties with Russia.<sup>15</sup>

The size of the Russia-North Korea gas pipeline deal is comparable to the deal Kim made with Chinese President Hu Jintao during his trip to China in May 2011. At that time, China offered North Korea various economic incentives and agreed to develop two special economic zones near their border areas. In some quarters in Pyongyang, China's economic inroads is at the same time viewed with suspicion, reflecting the complex equation between the two countries.

During the Cold War when ties between Beijing and Moscow were strained, both competed to bring North Korea under their camp. The situation has since changed dramatically. At this point of time, China sees US as a bigger competitor than Russia in

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<sup>15</sup> Sunny Lee, 'Pipeline politics in Kim's Russia visit', *Asia Times*, August 23, 2011, at <http://www.atimes.com/atimes/Korea/MH23Dg01.html>



the East Asian region. As stated earlier, Russia has been trying to reclaim some of its lost glory by fostering closer trade and economic relationship with a wealthy South Korea. Indeed, Russia's desire is to diversify its gas and oil exports by working with both the Koreas. This is part of Russia's "Sunshine" policy for both the Koreas by linking them with pipelines. In the Russia strategy, while the US supports South Korea and China supports North Korea, it would support both at the same time. .

It is apparent that both Russia and North Korea are seeking diplomatic currency. But so long as North Korea's nuclear weapons programme remains an unresolved issue, Russia's plan for a trans-Korean gas pipeline, however mutually beneficial that may be, is likely to remain unachievable. It is therefore desirable that efforts should be made to restart the stalled six-party talks with a view to de-nuclearise North Korea before such ambitious economic plans are taken forward. There is no point putting the cart before the horse.