

# *The Current State of Economic Cooperation Between the DPRK and Russia and Suggestions for North-South Economic Cooperation (Summary)*

Myung Chul Cho

Research Fellow, Korea Institute for International Economic Policy  
Visiting Researcher, Research Division, ERINA

The DPRK and Russia have traditionally had a friendly relationship, but this was suddenly severed in all fields, including politics, economics, military issues, social issues and culture, following the collapse of the Soviet Union; as a result, the DPRK fell into serious economic difficulties. However, the DPRK and Russia have recently been trying to restore their relationship, which had become estranged; with this aim in mind, three summits between the two countries have taken place, along with high-level contacts in a variety of fields. As the rapid moves towards cooperation and improvements in the relationship between the DPRK and Russia will have both direct and indirect impacts on the ROK's diplomatic policy, particularly that concerning the DPRK, and economic cooperation between the two Koreas, the government of the ROK has a particular interest in developments in this area.

Following the agreement concluded between the DPRK and the US in Geneva in October 1994 concerning the nuclear issue, the DPRK and Russia began negotiations in September 1995, concerning new treaties governing their relationship that would replace the treaties concluded in 1961. In February 1995, the two countries concluded their *New Agreement on the Forestry Industry*, with the *Science and Technology Cooperation Plan* following in June of the same year. On 10<sup>th</sup>-12<sup>th</sup> April 1994, the DPRK and Russia reconvened the Committee on Economic, Commercial, Scientific and Technological Cooperation in Pyongyang, with an agreement being reached concerning large-scale economic cooperation with the DPRK.

In January 1997, an agreement was concluded concerning the draft of a new treaty between the two countries, with the actual conclusion of that treaty being agreed in early 1998. The second meeting of the Committee on Economic, Commercial, Scientific and Technological Cooperation took place during this period and various treaties were concluded, in addition to a commitment being made to provide \$1.5 million of food aid to the DPRK. Although the conclusion of the new treaty, which had been planned for 1998, was postponed, military cooperation between the two countries was resumed.

On 19<sup>th</sup> July 2000, President Putin became the first leader in the history of both the Soviet Union and the Russian Federation to visit Pyongyang, further strengthening the relationship between the two countries.

At present, of the pending issues concerning economic cooperation that are being discussed by the two countries, there are many that require the participation of Japan and the ROK; even in other cases, there are numerous issues

that will inevitably impact upon these countries' economic cooperation with Russia or their relationship with the DPRK. The project aiming to link the Trans-Siberian Railway (TSR) with the Trans-Korean Railway (TKR), which has recently emerged as the most significant outstanding issue relating to economic cooperation between Russia and the DPRK, cannot go ahead without the direct participation of the ROK. Accordingly, the analysis of the results of economic cooperation agreed at the summits between the DPRK and Russia and the formulation of a strategy for participation in this project is of particular importance when seen from the perspective of economic cooperation in Northeast Asia as a whole. Furthermore, efforts aimed at the joint use of Russia's abundant energy resources by both Koreas could well play a positive role in the joint economic development of the two countries.

If, in the future, the ROK's capital and exceptional technical capabilities, the DPRK's high-quality workforce and geographical advantages and Russia's abundant resources were blended together in an appropriate fashion, economic cooperation in Northeast Asia could lead to the development of an institutional cooperative framework that would become a major engine for growth.

Through the expansion of active economic relations with both Koreas, the Russian government is beginning to make moves aimed at revitalizing development in the Far Eastern region. Russia is trying to obtain the capital and technology required to develop the Far Eastern region by attracting businesses from Japan and the ROK, while bringing in the necessary labor from the DPRK. Moreover, in order to promote closer physical links to the Korean Peninsula, Russia has begun work on a plan for linking the TSR and the TKR. In fact, while Russia, Japan and the Korean Peninsula are in close geographical proximity and have complementary industrial structures, economic relations between them are still at a relatively low level in comparison with other countries and regions.

Russia's strategic economic goals with regard to the DPRK include: i) to obtain a continuous supply of labor from the DPRK to do such work in the Russian Far East as tree felling; ii) to ensure that the DPRK becomes a major importer of Russian manufactured goods, such as weapons; iii) to participate in the modernization of businesses established in the DPRK during the Soviet era, using financial support for economic cooperation provided to the DPRK by the ROK; iv) to increase transport demand on the TSR by linking it with the TKR; and v) to implement large-scale projects between the ROK and Russia, such as the

construction of the natural gas pipeline from Yakutia to the ROK by means of DPRK-Russian cooperation.

The relationship between Russia and the two Koreas will sustain the current situation in the future and it seems that there is no possibility of returning to the peculiar militaristic and ideological relationship of the past.

With the possibilities for multilateral economic cooperation in Northeast Asia on the increase, along with changes in the DPRK, the states of this region are seeking a new formula for regional cooperation. Although the aims, methods and procedures involved in multilateral economic cooperation in Northeast Asia have yet to be delineated, it is obvious that each country is trying to move away from cooperation between states towards a method of regional cooperation. The first stage in regional cooperation in Northeast Asia and the vehicle that will open up the possibilities for regional cooperation is the vision for linking the railways of Russia, China and the Korean

Peninsula. In addition, plans for forming the East Sea (Japan Sea) Rim Economic Subregion and the Yellow Sea Rim Economic Subregion, which rely upon the participation of China, Japan, Russia and the two Koreas, are currently being proposed, without fanfare. In order to enable the DPRK to participate in regional cooperation, the ROK, China and Japan must support and cooperate in—both directly and indirectly—changes in the DPRK. Furthermore, as the region within which Japan, China and the two Koreas can cooperate could be expanded to center on the Yellow Sea, it is necessary to promote specific collaborative projects, such as the linkage of the Gyungui line and the construction of the Sinuiju–Dandong comprehensive economic zone, which will follow this. Increasing the scope of regional economic cooperation through such projects should enable us to create a solid footing for economic cooperation in Northeast Asia.