The ROK-DPRK-Russia Gas Pipeline Project: 
The Truths and Myths behind the Project

Suk-Hwan Kim
Vice-President, Juseong College and
Director, Institute of International Development and Strategies

The ROK-DPRK-Russia gas pipeline project to supply Russian gas into the Korean peninsula is a hot topic. On the surface, the three states and the neighboring countries appear to be working cooperatively to make this project a reality. Beginning with Kim Jong Il's visit to Russia in August 2011 and subsequent summit meetings between ROK-Russia and DPRK-Russia, the once forgotten trilateral gas cooperation project came alive again and with optimistic prospects.

Since the launch of Lee Myung-bak administration, almost all economic cooperation projects between the two Koreas halted. Hence, the positive signal sent from all three states regarding this project is drawing much attention.

However, there is still a long road ahead. Except for old agreements signed in the past, there has not been much progress with new agreements or contracts. Besides the basic agreement reached between South Korea and Russia to supply 7.5 million tons of natural gas from Russia from 2015, no substantial contract has been completed yet. This is the next step, and a very important step to say the least. The people in charge of this project must act with firm determination and with a clear national plan in mind. For South Korea, not only North Korea policy but foreign policy toward neighboring countries must be considered; but it must also be linked and orchestrated with energy and other related policies. However, South Korea is still ill-prepared in dealing with all these issues. Of course, the newly resurrected interest in the gas project in itself is meaningful. More importantly, currently revived interest must serve as a dynamic force in pushing the plan forward. To do so, not only hard work but meticulous planning will be required. Otherwise, the discussion will wither and be buried once again, as an unrealistic dream.

Certainly, the talk of a ROK-DPRK-Russia gas pipeline project is not a novelty. Since the normalization of relations with the former Soviet Union, this has been a regular agenda item that appeared and reappeared during the Kim Dae-jung and Roh Moo-hyun administrations vis-à-vis discussions of Northeast Asian community building and Russian natural gas import agreement. This was believed to serve as an impetus as the new corridor of cooperation with energy as the medium to ease the regional tension and tie it to creation of new and diverse markets including roads, railways, and power networks. Despite these attractive conditions and benefits, practical progress in actualizing the project has not yet been made. After years of repeated on-and-off interest in the project, the three countries have yet to form a trilateral cooperation committee.

The discussion of cooperation and creation of a common market with a hostile nation is an intriguing selling point. Creation of energy market and reorganization of regional order through combining both geopolitics and geo economics are also intriguing factors. Yet, why has progress on the project not been made?

From the international perspective, the trilateral gas project between Russia and South and North Korea is similar to the gas pipeline project that exported gas from Central Asia to
Pakistan via Afghanistan. But this project was always impeded by numerous factors including the domestic politics of Afghanistan, pro-Chinese Pakistani policies, and so-called “rogue states” that destabilized and thwarted the project. The ROK-DPRK-Russia gas pipeline project is no different. Putting technical and economic difficulties aside, political realities and hostile experiences of the past are hindering the advancement of this project.

Transnational economic cooperation, especially economic cooperation dealing with energy and strategic resources, is difficult to accomplish without the presence of actual pragmatic need that can overcome the geopolitical and geoeconomical challenges. The Soviet Union and Europe was able to overcome the gas cooperation during the Cold War only because they had the diplomatic capacities to actualize the project that could overcome the geopolitical and geoeconomical conundrums.

At the time, European countries were in dire need to revitalize their economies and elevate competitiveness in the world market through securing cheap energy. Especially after the war, France, Germany, and Great Britain were desperate for cheap energy. Algeria and the Soviet Union were the two countries able to provide this source and eventually gas agreements were signed with these two countries, which continue until today. Even for the Soviets, it was imperative to secure hard currency in the long-term and cooperate with the West to realize their goal of building a modern nation and socialist economy. Despite the domestic opposition, the Soviets pursued long-term energy cooperation with the West. This also met the obligation to provide assistance to East European communist states under the Marshall Plan.

Returning to the issue of the ROK-DPRK-Russia gas pipeline project, the critical question to ask is this: Is there the same desperation and urgency as Europe and the Soviets had at that time? At least between the experts, three mega projects (railways, electricity, and energy) affect all three states have become a familiar and popular issue among its domestic politics. For the railways project, the research is already in the advanced stages with only a political decision left to wrap up the deal. However, the talk of this project has disappeared once again.

What lessons does this teach us? It demonstrates that involved countries are using different systems of calculation in determining the implications and importance of this project. Even domestically, the people and the leaders of South Korea are applying different measurement standards with segmented views regarding this project. This is because many tend to focus only on the political aspects or economic benefits, not both.

Politically, the Russian gas pipeline project is attractive for all three countries. However, economically, both the exporter and the importers do not have practical urgency. The former Soviet Union and now Russia’s major client for its natural gas is Europe. Of course, it is also exerting efforts to decrease its dependence on the European market and searching for alternative markets such as Asia. But Russia still does not have the capacity to fully immerse itself in the Asian market, since the cost of exploration and development in the gas business requires immense sums of money. Therefore, precautions must be taken with careful consideration, with long-term demands corroborated before delving into the business. This is the take-or-pay method, where the interested party must be willing and capable of paying. Of course from the consumer’s point of view, if there is an alternative, the provider is put at a disadvantage. Therefore, prices and other variables are determined only after supply and demand is carefully considered and after strategies are well-calculated. This goes for LNG and PNG as well. In order to establish a supply and demand chain, a huge investment must be