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## [\*\*Does it matter that South Korea has not imposed sanctions on Russia?\*\*](#)



South Korea is home to [Samsung, the world's largest electronics manufacturer](#), some of the most [technologically innovative engineering firms](#), many of the [largest offshore oil rig builders](#), has strong [financial institutions willing to take risks in developing markets](#), and is a close Western ally reliant on the United States for security assurances. Yet unlike every other major U.S. ally or Western country, including neutral [Switzerland](#), South Korea has steadfastly refrained from imposing sanctions on Russia. Shockingly, given the technologies and engineering knowledge South Korean companies can provide Russia as a result - which their competitors are prohibited from doing under various sanctions regimes - this matter has received extremely little attention. Shining light on this issue, how it has affected Russian-South Korean relations, and its impact on the wider sanctions regime against Russia, is long overdue.

Firstly, it is interesting to examine precisely how this came about. The U.S. [pressured](#) South Korea to impose sanctions in the aftermath of Russia's annexation of Crimea in March 2014, and although Seoul joined in criticism of Russia's actions in Crimea, it soon stated it had no plans to impose sanctions itself. In doing so, Seoul [noted](#) that it expected U.S. sanctions would already have a major impact on Russian-South Korean trade relations given deep longstanding relationships between South Korean companies and the United States. However, as Russia's involvement in the war in eastern Ukraine grew and the U.S. and EU in turn ramped up both their criticism of the Kremlin and their sanctions regimes, South Korea continued to remain silent on both fronts.

Therefore it is worth examining how South Korea may have benefitted from its lack of sanctions on Russia. On the face of it, it is clear that not joining the more strident U.S. sanctions on Russia can pose significant benefits to South Korean firms. For example, Samsung, which has long done business in Russia successfully, has expanded business in Russia through the [construction of the Lakhta Centre](#) in St. Petersburg, to serve as the new headquarters for Gazprom Neft, and through Samsung Heavy Industries October 2014 [announcement](#) that it will build three new Arctic tankers for the same company for \$444 million (USD). Gazprom Neft is sanctioned by both the EU and U.S. which also has specific sanctions against offshore and deep-sea drilling technologies being exported to Russia.

There is no doubt that U.S. sanctions in particular have complicated efforts to do business between Russia and South Korea. Notably, it does not appear that South Korea's lack of sanctions actually provided a major boost to South Korea. As reported by [Yonhap News](#), South-Korean Russian trade reached an all-time high of \$26 billion in 2014, an 8.5% increase from the previous year. However, Russian-Japanese trade [grew by 16.7%](#) over the same time period, although unlike South Korea, Japan had imposed sanctions on Russia. Furthermore, [figures for the first ten months of 2015](#) show a dramatic 41% collapse in U.S. dollar value in Russian-South Korean trade, although this appears to have largely been driven by falling oil and commodities prices, Russia's collapsing automobile market, and a downturn in the purchase of consumer electronics due to the ruble's devaluation. This is in line with the 38% decrease in the dollar value of [Russian-Japanese trade](#) in 2015, and indicates that there has been no special treatment on Russia's behalf of its trade relations with South Korea.

Various U.S. and EU officials with whom the author spoke often noted they were not sure of why there had not been additional pressure on South Korea to join in sanctioning Russia. Some EU member states have [expended significant political capital](#) pressuring other members of the EU to remain steadfast with regards to sanction, as has the U.S. with the EU and Japan. It seems rather inconceivable that the EU and the United States in particular, simply forgot about South Korea. This may be the result of a recognition that Russian-South Korean political relations are not particularly close and Russia's foreign politics are not a major issue for most South Koreans, which is effectively the crux of the [only notable article](#) on South Korea's lack of sanction on Russia published to date. As the above mentioned trade figures indicate, on a macro-economic level, there seems to be no incentive for either the U.S. or EU to pressure South Korea to impose sanctions as of now.

However, as the deals between Samsung and Gazprom Neft demonstrate, South Korea's lack of sanctions on Russia leaves room for these EU & U.S. sanctioned companies to exploit. They can access South Korea's technological and engineering 'know-how,' which is certainly comparable with what is on offer from German, U.S. and Japanese firms who are no longer able to do business with Russian firms under sanctions. Although there is little evidence they have done so to date, otherwise sanctions Russian entities could also seek out South Korea's banking and financial sector for financing. Insuring such credit lines would likely face difficulties since credit insurance is largely offered by U.S. and EU-based firms. However, given the lack of sanctions the Export-Import Bank of Korea (KEXIM) or the Korea Trade Insurance Corporation (K-SURE) can still provide such credit lines to South Korean firms doing business in Russia. Perhaps indicating that business policy makers in both countries were aware of the advantages that could be gained, four days after the first sanctions on Russia were imposed, K-Sure and the Export Insurance Agency of Russia (EXIAR) [signed an agreement](#) to jointly support projects involving the two countries.

There are certainly those [in Russian foreign policy circles](#) aware that there is much room for growth in Russian-South Korean economic relations. South Korean politicians are more reserved in their statements regarding Russia, as doing so risks upsetting the U.S. while South Korean politicians are also reserved in their public statements regarding Russia due to Russian-North Korean relations. Russia has used a soft approach and avoids highlighting business deals with South Korea in state-run media in contrast to its flaunting of business deals with other countries [such as with its fellow BRICS members](#). Yet as the aforementioned trade-figures indicate South Korean businesses are not egregious sanctions-busters and the opportunities between the two countries are not widely discussed outside very narrow policy circles. Finally, should Russia and South Korea move to significantly expand economic ties, U.S. calls to join the sanctions regime will likely rapidly come to bear on South Korea. Nevertheless, South Korean firms still provide a route for technology transfers to Russia and its lack of sanctions could support some European countries' calls for sanctions to be lifted. As it stands, there is a gaping hole in the sanctions regime - it is just that it is being quietly ignored.

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