
한국과 러시아간 경험 발전에 관한 연구 : 주요 산업들과 EAEU-FTA 추진을 중심으로

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A Study on the Development of Economic Cooperation between Korea and Russia : Focusing on Major Industries and Promotion of EAEU-FTA

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Received 16 September 2021, Revised 14 October 2021, Accepted 26 October 2021

Abstract

The government of Vladimir Putin, which has been ruling Russia for a long period since 2000, has recently strived for the balanced development of underdeveloped regions and sustainable economic growth. Therefore, along with energy development in the Far East and Siberian regions, the government is promoting development projects on logistics and distribution infrastructure. It is also expanding the construction of innovative districts to develop cutting-edge technologies in the outskirts of Moscow. Amid these moves, South Korea is pushing for the New Northern Policy aimed at widening economic cooperation with European and North Asian countries to expand the scope and influence of the country's trade market. The previous year of 2020, marked the 30th anniversary of establishment of diplomatic relations between South Korea and Russia. In this context, this study was initiated to propose various measures for promoting economic cooperation and expanding trade between South Korea and Russia. Therefore, this study examined Russia's political and economic environment and explored its major industrial environment with a focus on the energy industry, innovative districts and infra facility. The study also examined the progress of a FTA between the Eurasian Economic Union, in which Russia currently takes the lead, and South Korea and recommended several measures to upgrade and accelerate economic cooperation between the two countries through research on a range of topics.

Keywords: Economic cooperation, Energy, FTA, Russia, South Korea, Trade

JEL Classifications: F10, F18

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I. Introduction

Russia has the world's largest land area that is about 80 times that of the Korean Peninsula. In addition, the former Federative Republic of Soviets, in which Russia played a pivotal role, was one of the world's superpowers that dominated the world while standing against the United States for decades of the Cold War era. Since the former Soviet Union's dissolution, Russia has been a federal republic with a bicameral legislature under a presidential system. As of 2019, Russia had a population of up to 150 million. The country's president can be reappointed for a six-year term and President Putin, who is currently in his fourth term in power, has reigned Russia for nearly 20 years since 2000 and is predicted to maintain his presidency up to lifetime through a constitutional amendment (Jung Hee-Suk, 2020). South Korea has made various efforts to find new economic growth engines and began to pursue the New Northern Policy in 2017, which is targeted at expanding economic cooperation and trade with countries in Northern Eurasia and the Far East (Kim Sang-Hwan, 2020; Song Min-Geun, 2019; Kang Gil-Sung and Won Yong-Kul, 2019). In this context, Russia is drawing attention as the biggest military and economic power that represents these regions. South Korea and Russia have maintained their diplomatic ties since 1990 and the year 2020 celebrated the 30th anniversary of their diplomatic relations. The recent global trends are fraught with various risks including low economic growth and fluctuations in oil prices due to the COVID-19 crisis, the strengthening of protective trade, the US-China trade war that has recently come to a lull, and Western countries' economic sanctions against Russia. Thus, it is highly important at this time to

look at the current economic conditions of South Korea and Russia that are implementing new policies based on their long-term diplomatic relations and seek to further expand their economic partnership. The Russian papers that have been published to date are largely confined to the areas of language, politics, history, culture, and art. And aside from government reports, there are few academic papers on economic cooperation, trade and infrastructures. Some of the researches directly related to the topic are as follows. Lee Jong-Moon (2019) analyzed the competitiveness of Korean products in the Russian field. It analyzed the stagnant export of Korean products to the Russian market and suggested solutions. It suggested removing barriers to trade between the two countries, concluding economic agreements, and the development of export products. Lee Sang-Joon (2016) analyzed Russia's industrial policy and related pace and studied industrial cooperation between Korean and Russia. It discussed ways to promote intra-industry trade for industrial and trade cooperation between Korea and Russia. Hong Wan-Suk (2015) mentioned the conditions and control of the strategic partnership between Korea and Russia. Factors limiting the development of bilateral relations, reasons for building strategic relations, and policy tasks required for both countries to substantiate strategic relations are presented. Lee Jae-Young (2015) analyzed the determinants of FDI inflow to Russia and evaluated the environment for entering Russia through a survey of Korean companies that entered Russia. Korean companies are exposed to risk factors when entering Russia, and thus, the study suggested that related issues should be resolved for economic cooperation between Korea and Russia. Woo Su-Han (2015)

explained effective route selection according to trade between Korea and Russia by comparing each route in Russia and suggesting the most economical route. In particular, it evaluated that it would be possible to increase the reduction of logistics costs during transactions between Korea and Russia by improving the TSR problem. Han Jong-Man (2014) conducted a study on the implications of socioeconomic development programs and Korea-Russia economic cooperation in the Far East and Baikal region. It analyzed the possibilities and limitations of the Far East and Baikal community economic programs after organizing the details and differences. It also looked at the current status of economic cooperation among Korea, the Far East and the Baikal region and the implications of economic cooperation between Korea and Russia. Park Jong-Sam (2014) explained that through analysis of the Russian logistics market, logistics costs increased due to the outdated logistics infrastructure, and incidental costs such as licenses and permits increased. However, it was expected that the Russian economy would improve in the future and that the community logistics market would gradually improve. Lee Jae-Young (2011) analyzed Russia's industrial competitiveness and economic cooperation environment and tried to derive a Korea-Russia industrial cooperation strategy. As a result of the analysis, it was found that Russia's competitiveness is generally weakening in the rest of the industry except for mining products. In addition, in order to expand industrial cooperation between Korea and Russia, a mutual FTA agreement was proposed. Accordingly, this study reviewed Russia's recent trends in politics and economy, the energy industry, innovation bases and infra facility, and explored various

measures for broadening economic cooperation between the two countries and to spur their mutual economic growth.

II. RUSSIA'S VARIOUS ENVIRONMENTS

1. Review of Russia's Political and Economic Environment

Russia's politics cannot be identified easily unless the policy direction of President Vladimir Putin, who is called the modern-day Tsar, is examined. The 2000 to 2008 period marks the first and second terms for which President Putin took office as president. During this period, the Russian government has established and pursued a strong revival of Russia by continuing its pragmatism and utilizing energy resources as the engine of economic growth. Politically, the control of the federal government was strengthened, and in terms of economic operation, the tendency toward conservatives was intensified (Yun Yeong-MI, 2009). After that, he served as prime minister between 2008 and 2012, during when the current prime minister Dmitry Medvedev was president (Choi Tai-Kang, 2012). Since then, Putin has governed Russia as president for the third (2012 to 2018) and fourth (2018 to present) terms over nearly 20 years. In addition, he is likely to maintain his presidency that is close to a lifetime appointment until the year 2036 through a constitutional amendment. Despite the recent decline in public support for President Putin because of Western countries' ongoing sanctions against Russia and the COVID-19 crisis, his power appears to be firmly maintained. On the other hand, Russia's economy has partly sunk into a recession. President Putin wants to maintain

the Eurasian Economic Union (EAEU) within its region, in which Russia takes the lead in politics and economy through centralized nationalism (Lee Sang-Joon, 2017). President Putin, a conservative nationalist who prefers centralized control and professes bellicose foreign policies against the West, faces a situation in which he should develop and implement economic policies to revitalize his country's stagnant economy. Russia, which has an insufficient manufacturing base, maintains an energy-dependent economy that relies on the exports of natural gas and oil to gain most of the national profits. In recent years, the country has continued to carry out economic revitalization policies for the Far East and Siberian regions. It is therefore advantageous for Russia to expand investment and build facilities through cooperation with South Korea, thereby maintaining technical partnership between the two countries. Given that the two countries have recently shared the same interests and goals, their economic cooperation can be further cemented and expanded depending on the unfolding situation and the level of cooperation. In this study, Russia's major economic indicators were examined. The country's nominal GDP reached 1,564 billion dollars in 2018, 1,701 billion dollars in 2019, and 1,502 billion dollars in 2020. In terms of GDP per capita, the country registered 11,594 dollars in 2019, which slightly dropped in 2020 to remain at just above 10,241 dollars until now. When it comes to the economic growth rate, Russia, an energy-rich country, is not in a favorable economic situation due to a drop in global oil prices and economic sanctions imposed by Western countries under the US leadership since 2014. The Western countries' sanctions on Russia were driven by the US and European Union (EU) for human

rights issues in the region and conflicts over Ukraine and the Crimean Peninsula (Kim Sang-Won, 2019). Russia has one of the world's richest reserves of oil and natural gas, ranking first in natural gas, sixth in oil, second in coal and gold, and fourth in uranium. Therefore, energy resources such as oil and natural gas (64%) and steel (10%) account for at least 70% of the country's exports. Russia recognized the fact that these raw material-reliant exports are highly vulnerable to Western countries' economic sanctions, and therefore, can have a considerable impact on its economy. Accordingly, the country fostered manufacturing, the base of which had relatively been weak, by transforming its economic system and implemented policies to establish innovative technology development complexes by taking advantage of its advances in basic science. As a result, the devalued Russian ruble gradually appreciated and prices were stabilized and, in turn, the country departed from the former negative economic growth trajectory and was on track for a gradual recovery by maintaining an average economic growth rate of about 1.5% until before the COVID-19 outbreak. However, the COVID-19 crisis hit the country to experience a negative growth of about 3.9% in 2020. This economic downturn resulted from the slide in global oil prices and an economic downturn caused by the COVID-19 pandemic. To recover from this, the Russian government is promoting various economic revitalization measures. In 2021, the Russian economy is projected to recover to a certain extent from the previous year because it is enforcing policies that expand support for loans and subsidies to businesses while reducing interests and taxes. Russia's unemployment rates recorded 4.6% in 2019 and 5.7% in 2020, which went up 24% over

Table 1. Volume of Export and Import in Russia

	(Unit: billion \$)				
	2016	2017	2018	2019	2020
Export	286	358	450	422	338
Import	182	228	238	244	234

the previous year. In addition, as an effort to overcome the COVID-19 crisis, Russia is promoting the increase of gas and oil exports to the Asia-Pacific region (Roh Jin Sun, 2020). The World Bank annually publishes the Ease of Doing Business Index in which the business environments of 200 member countries are evaluated and indicated based on 10 categories. Overall, Russia ranked 31st in 2019 and 28th th in 2020 in that Index. The country remains in the upper-middle ranks among the member countries and its respective index rose from 77.4 to 78.2 for the two-year period. Notably, Russia came in 12th in 2019 and 7th in 2020 in the category of getting electricity. It also ranked 12th in the category of registering property in both 2019 and 2020. On the other hand, it ranked 99th, which is relatively low, in the category of trading across borders in 2019 and 2020. Notably, the country is assessed as significantly inferior in this category compared to other categories. In terms of logistics in exports, Russia took 92 hours and spent about 660 dollars on average. These figures were at least three times higher than those of the countries in the European and Central Asian regions and advanced OECD members. The equivalent figures for Russian imports at least doubled those of the compared countries, recording 55 hours and about 560 dollars on average, respectively. The category of trading across borders was therefore evaluated as a category that should be gradually improved for Russia's future

trade development.

According to (Table 1), referred from data of IMF and GTA, which examines the changes in Russia's trade, its economic growth rates and trade volumes fell significantly due to the sanctions from Western countries, but they began to recover partly in 2016 and the value of exports has continued to increase. The country's balance of trade has also continued to gain a surplus over the recent five years. The value of exports amounted to 286 billion dollars in 2016 and rose about 25% in 2017 to stand at 358 billion dollars in 2017. In 2018, the country yielded the largest value of exports at 450 billion dollars, a 26% increase from the previous year. Meanwhile, the value of imports reached 238 billion dollars in 2018 and 244 billion dollars in 2019. The country had another trade balance surplus in 2020. However, the COVID-19 outbreak caused a 20% drop in exports and a 5% fall in imports over the previous year to register 338 billion dollars and 234 billion dollars in 2020, respectively. Russia often pursued protective trade to increase its own trade interests by implementing various tariff and non-tariff policies. Russia is promoting a transition from the current economic structure that drives the economy by exporting energy and mineral resources to a new paradigm of economic structure that embraces fostering the manufacturing industry and expanding infrastructure in the future. Thus, Russia's expansion of trade protectionism and pursuit

Fig. 1. Main Export Countries

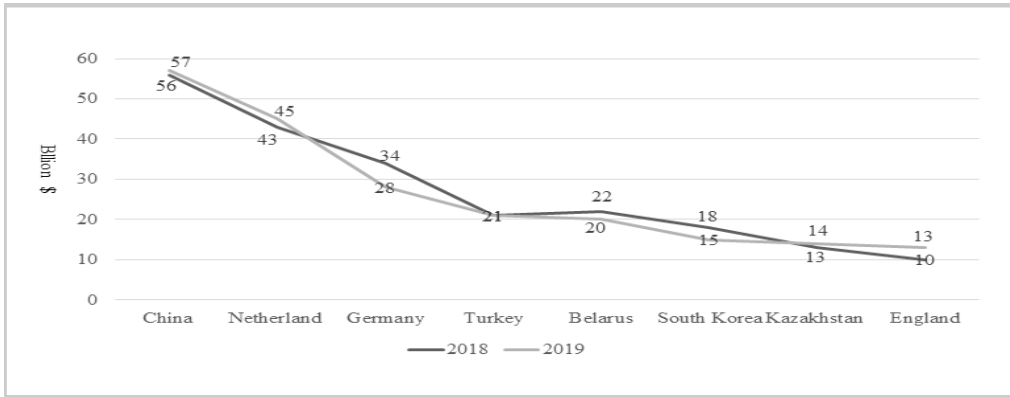
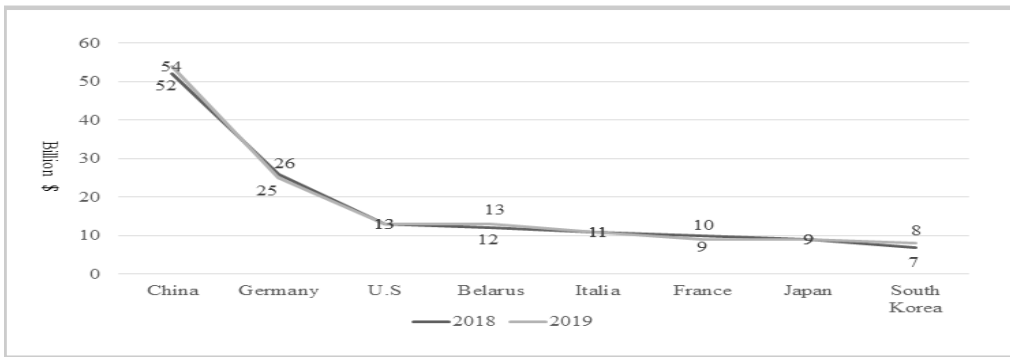


Fig. 2. Main Import Countries



of related policies can be assessed as useful in the short term. From a long-term perspective, however, it is necessary to further open the local market and avoid trade protectionism to attract foreign investments actively and broaden economic cooperation with related businesses.

According to <Fig. 1> referred from data of UN Comtrade and GTA, an examination of Russia's export status, in terms of the destination of exports, China accounted for 13% of the country's total exports, followed by the Netherlands (10%), Germany (7%), and Turkey (5%). South Korea accounted for 4% of the total exports. Russia's exports to South Korea recorded 18 billion dollars in

2018 and 15 billion dollars in 2019, down 17% from the previous year. According to <Fig. 2>, Russia is highly reliant on China in terms of import trade. The country's proportion of imports from China is about 1.7 times higher than that of exports to China. Its share of imports from China reached 22% in 2019. Along with Russia's exports to Germany, its dependence on imports from the country is also considerable.

The share of imports from Germany was 10% in 2019. China and Germany are Russia's two most significant trading partners with high levels of transactions with each country. The country also imports from the US to a certain extent, reaching a value of 13 billion

dollars in 2019 and maintaining a share of 5% steadily. Belarus, which ranks next, is a member of the Russia-led EAEU and Russia's most active trading partner within the Union. Japan ranked seventh and South Korea came in eighth with a 3% share.

2. Examination of Russia's major industrial environment

Russia is pushing for a new energy project to transform the existing energy businesses into an eco-friendly industry. It is promoting the eco-friendly hydrogen industry as a new project. The present study examined this project, along with trends in the development and expansion of related industries. Russia is promoting a plan to increase energy exports to the Asia-Pacific region by more than 40% according to the "Energy Strategy 2035" policy. To this end, the country is expanding the production of natural gas and making efforts to develop gas landfills in the Siberian and Far East regions. It currently develops new liquified natural gas (LNG) in the Far East, Vladivostok, and the Baltic regions, and is set to further expand the existing LNG production in Sakhalin and Yamal. This policy results from the expectation of expanded demands for energy from countries such as China, Japan, and South Korea. Given the recent state of energy supply and demand in South Korea, in which energy consumption continues to rise, this is considered a policy that can stabilize the South Korean energy market. And it can be an opportunity to maintain a strengthening alliance with Russia (Kim Sang-Won, 2018). Also, it is advantageous for Russia to secure new technologies that can increase the efficiency of energy development and reduce pollutants or provide measures for sophisticating these technologies. Therefore, Russia should

create diversified opportunities for economic cooperation, which can expand the inflow of foreign investments and enhance related technologies. Moreover, from a geopolitical perspective, cooperation between South Korea and Russia is highly beneficial for the two countries. A higher level of economic cooperation between them will lead to their more effective economic growth and coexistence. Russia can move away from the European market and advance into new consumer markets. Meanwhile, South Korea can secure a new source of energy following its nuclear power phase-out and promote economic cooperation for the Far East region's development under the implementation of the New Northern Policy. South Korea has imported natural gas from Russia since 2009. From a perspective of the future economy and geopolitics, South Korea's imports of natural gas from Russia are projected to expand, which will considerably benefit the two countries in terms of investment and technical cooperation.

Russia's development of hydrogen originated from the space projects in the 1980s. It began with the progress of research on using liquid hydrogen as fuel for space orbiters (Woo Sang-Min, 2021). Later, studies on hydrogen development became stagnant for a while because of the disintegration of the Federative Republic of Soviets and low cost-effectiveness. In recent years, however, the related studies are underway in a more in-depth and active manner following the international community's implementation of low-carbon and emissions reduction policies. With expanded efforts to curb global warming, combat abnormal climate changes, and reduce greenhouse gas emissions by cutting the amount of carbon dioxide emissions, hydrogen production has attracted great attention as a leading low-carbon and

Table 2. CO2 Emitting Countries

(Unit: Gt)

Ranking	Country	CO2 emissions	Ranking	Country	CO2 missions
1	China	10.1	5	Japan	1.2
2	U.S	5.4	6	Germany	0.8
3	India	2.7	7	Iran	0.7
4	Russia	1.7	8	South Korea	0.7

eco-friendly alternative energy. Russia's hydrogen production technologies are as follows: Russia has a range of technologies that can extract hydrogen from natural gas and diesel mixtures, from oil and gas plants, or from methane mixtures and nuclear reactors, and that can develop batteries using solid oxides. As this shows, because of Russia's superior technical expertise in hydrogen production, it is keen on the hydrogen economy that replaces the existing types of energy with hydrogen, which is currently underway in Europe and the Asia-Pacific region. Specifically, countries that are highly dependent on the oil, heavy chemical, and steel industries are paying attention to the development of alternative types of energy and a transition to the hydrogen economy in step with the international community's trends towards low-carbon and emissions reduction and should make gradual efforts for this transition. Therefore, Russia is developing and accumulating technologies that can produce hydrogen on a large scale.

According to <Table 2> referred from 2018 data of International Energy Agency(IEA), South Korea was ranked eighth among the countries with the largest carbon dioxide emissions. This suggests that South Korea should also pay increasing attention to the development of new alternative sources of

energy and the provision of measures in response to the development. As examined earlier, Russia has advanced hydrogen production technologies, but lacks the ability to transport and distribute it. Therefore, it would be highly valuable for South Korea, which has the capacity for large-scale LNG transport and high-level technical expertise in the field of oil and chemicals, to prepare for a new hydrogen economy that will emerge through economic cooperation with Russia in the future.

Russia is pushing ahead with various projects at the government level to boost the manufacturing industry and revitalize the shipbuilding industry. Depending on whether the project is facilitated at the government level, companies that produce shipbuilding equipment and parts are forecast to enter the local market more readily or not. In this situation, Russia is also expanding its investment in the development of Arctic shipping routes. Developing Arctic shipping routes is an essential element for Russia's current facilitation of the manufacturing industry and balanced regional development. In particular, the facilitation of LNG production according to the government's energy export expansion policy is likely to increase the demand for special-purpose vessels such as ice breaking tankers. South Korea should focus on and actively

participate in this opportunity given that it is one of the world's shipbuilding powers which has capabilities to build the world's best LNG ice breakers. Coupled with this, it is also important to create the infrastructure for shipbuilding in Russia. Because the projects explained earlier are all the Russia government's national projects, it will be useful to establish a cooperating body through which the two governments can reach various agreements on technical cooperation and carry out R&D activities necessary to develop production technologies and modernize the existing infrastructure (Kim Jung-Hwan and Lee Ah-Ram, 2017; Ko Ju-young, 2021). The facilitation of the shipbuilding industry and the modernization of infrastructure can be linked with the development of fishing and logistics industries. Russia, which initially paid attention to energy development projects, has recently defined logistics as one of the country's primary industries and is expanding its support for financial investment and development for the industry. Russia expects to increase the added value of its abundant marine products caught in the Far East, such as pollack, in the form of processed products instead of raw ones, and then supply them to surrounding Europe and Northeast Asia. Therefore, demands are growing for the modernization of existing outdated facilities and the construction of container warehouses and processing complexes. In response to this, South Korea should make efforts to gain a strong first mover advantage for these logistics and fishery processing complexes that connect Europe and Asia through economic cooperation with Russia (Choi Jin-Hyoung, 2020; Roh Jin-Sun, 2020). In Russia, basic sciences such as mathematics and computing have been highly advanced since the former

Soviet Union era. In recent years, the country has actively used drone, laser, military technologies to develop photosynthetic lasers or upgrade medical devices to high-tech innovations and AI technology (Lee Alex-Soocheon and Yu Young-Chul, 2020). In this context, cooperation between Russian and Korean small and medium-sized enterprises and venture companies is gradually expanding. The Putin government is endeavoring to build a new economic development model that commercializes the country's potential and high-level knowledge of basic science. It has established national development strategies and pursued technical innovations in the research & development (R&D) sector. Russia has newly shifted its economic model to be knowledge-based rather than energy-based. By constructing a new economic model, Russia divided its manufacturing sector into technology, industry, and logistics, and tried to develop its manufacturing sector, which was lacking in its own country, through investment inflow and industrial development suited to the characteristics of each special economic model (Park Ji-Won, 2014). Therefore, attention should be paid to Skolkovo complex. The Skolkovo Innovation Center began to be built in 2010 during the reign of President Medvedev, who promoted technological modernization in Russia. It was created on the site of the Odintsovsky Administrative Region, less than 30 minutes away from Moscow and is expanding into an innovative and technological city through continuous development (Rowe, 2014). In the early days of its establishment, the outflow of Russia's talented scientists overseas increased. However, since the Russian government expanded support for various incentives and worked to attract foreign companies equipped with advanced

Table 3. Countries and Volumes

(Unit: billion \$)

	Export volume	Import volume	Trade balance
2020	5.4	8.9	-3.5
2019	7.8	14.6	-6.8
2018	7.3	17.5	-10.2
2017	6.9	12.0	-5.1
2016	4.8	8.6	-3.8

technologies, it has achieved a good result of attracting not only domestic talents but also foreign ones. As of 2019, about 1900 startups were established in Skolkovo. In addition, more than 200 investment companies and R&D centers have been established. The Russian government is actively promoting the use of Skolkovo as a Russian platform that nurtures innovative startups like Silicon Valley in the United States (Yu Je-Hyun, Son Eun-Jung and Kim Ki-Kook, 2020). Skolkovo is rated as very effective in meeting various infrastructure conditions and attracting talented workers due to its proximity to the metropolis Moscow. In particular, it is developing IT, energy, space science, nuclear energy, and medical bioscience industry as strategic fields through specialization. The Russian government provides financial support, exempts income and value-added taxes, and refunds customs duties spent on the import of research equipment. There are also some recent cases of cooperation with South Korean companies. Samsung established an AI center and LG and Hyundai Motor Company set up autonomous driving technology and vehicle-sharing & mobility startups. However, only a small number of large companies have formed partnerships with Russia while small and medium-sized businesses or start-ups with South Korea's

specialized technologies are still not receiving much attention. As discussed earlier, however, South Korean companies should pay closer attention to the Skolkovo Park and seek entry into it given its tax exemptions, full-scale financial support, a wealth of talent, and good infrastructure. In specific, South Korean companies that create new innovative models with high-level technical expertise in ICT, Fintech technology, and security systems will benefit from using their inroads into Skolkovo as an opportunity to partner with Russian companies, secure and upgrade technologies in the field of AI and space science, and eventually increase the desired effects of their overseas expansion. Moreover, they should make continuous efforts to discover new innovative startups by establishing a new interactive platform.

III. The environment for trade and economic cooperation between South Korea and Russia

1. Examination of the trade and investment environment

Trade between South Korea and Russia

Table 4. Main Export Items

(Unit: million \$)			
Ranking	Name of Item	2019	2020
1	Cars	2,216	1,485
2	Passenger cars and related parts	1,107	1,048
3	Beauty products	181	196
4	Heavy construction equipment	176	150
5	Metallic and non-metallic steel plates	141	135
6	Vessels	63	112
7	Petroleum products(synthetic resins)	97	100
8	Tires	143	96

began in earnest in 1992 when the total amount of their bilateral trade did not even reach 200 million dollars. However, as of 2019, just the year before the COVID-19 outbreak, the trade volume between the two countries grew more than 100 times. According to <Table 3> referred from data of KITA and IMF, which presented the status of bilateral trade over the past five years, South Korea has been a major destination of Russia's exports that mainly included energy resources, whereas South Korea's exports to Russia have not reached this level, resulting in the country's continuous trade deficits. In addition, because of the ongoing economic sanctions against Russia, which are led by the US in conjunction with the EU, and the drop in global oil prices, the amount of their bilateral trade has gradually dropped since 2018. In 2020, Russia's economic depression attributed to the COVID-19 outbreak caused a significant decline in its exports and imports compared to the previous year of 2019, totaling 14.3 billion dollars. South Korea recorded a trade deficit of 10.2 billion dollars in 2018 and another deficit of 3.5 billion dollars in 2020, which was a 49%

reduction in the previous year's deficit.

Russia lacks a manufacturing base and has a high demand for transportation modes due to its large territory. In addition, the government's active development in Siberia and the Far East has increased the demand for machinery and infrastructure equipment. Therefore, According to <Table 4> referred from data of KITA and KCS, South Korea's main export items to Russia include passenger cars, parts, tires, and heavy construction equipment necessary for the expansion of infrastructure facilities. Russia also has a relatively strong demand for beauty products because of the high popularity of K-beauty, fueled by the popularity of the "Korean wave (Hallyu)" culture. The exports of metallic and non-metallic steel plates, synthetic resins and vessels are also growing. Russia's exports of passenger cars decreased by about 33% in 2020 compared to the previous year. Although its exports of tires recorded 143 million dollars in 2019, the amount declined substantially to 96 million dollars in 2020. As the country is slowly recovering from its economic downturn caused by the COVID-19

Table 5. Main Import Items

(Unit: million \$)			
Ranking	Name of Item	2019	2020
1	Petroleum products(synthetic resins)	3,221	2,744
2	Oil and bituminous oil	4,634	2,384
3	Bituminous coal	2,806	1,968
4	Natural gas	1,097	777
5	Crabs and shellfish	410	399
6	Frozen fish	367	390
7	Platinum	322	328
8	Radiation mixture (uranium)	206	277

outbreak, this decline in exports is also likely to moderate gradually.

South Korea is intensively importing various energy and mineral resources from Russia that is one of the world's most energy resource-rich countries. South Korea mainly imports items such as oil, energy and mineral resources, and precious metals such as platinum from Russia. According to <Table 5>, South Korea imported about 7,900 million dollars of items of petroleum products such as synthetic resins, oil and bituminous oil from Russia in 2019, but imported about 5,100 million dollars of the same items in 2020, down about 35% from the previous year. This is because the South Korean economy also became stagnant under the COVID-19 outbreak. In addition, the imports of bituminous coal and natural gas decreased each by 30% in 2020 compared to the 2019. The demand for Russian crabs and shellfish is typically high in South Korea. However, the country imported about 400 million dollars' worth of crabs in 2020, which was slightly smaller than the previous year. Russia is the largest producer and exporter of pollack, and South Korea is highly

dependent on pollack imports (Jeong Hyun-Ki and An Ji-Eun, 2020). Thus the imports of frozen fish as like pollack, platinum, and uranium showed certain increases ranging from 1% to 10% in 2020 compared to the previous year. In trade with Russia, South Korea has recorded continuous trade deficits, and is thus required to reduce them by expanding the scope of export items.

South Korea's accumulated investment in Russia from 1989 to 2019 is approximately 2.8 billion dollars. The number of corporations amounts to 613. The investment is concentrated in the manufacturing sector. In the early days of Korea's investment, mainly food and confectionery companies entered the Russian market. However, it is notable that Hyundai Motor Company has recently established an engine plant. The company has been operating an automobile factory in St. Petersburg since 2011, which has four production lines with a capacity of about 220,000 cars, and opened an engine plant in 2020. In addition, Lotte Hotel has advanced into the Russian market and CJ has established and operated a factory. The reason for South Korea's investment in Russia

over the past 30 years being smaller than expected is probably because the country's energy development and resources companies have concentrated their investments in Europe and the Commonwealth of Independent States around Russia rather than Russia itself. The scale of investment has been declining in recent years, and the trade volume between the two countries has further dropped due to the Covid-19 crisis. As explained earlier, Russia is putting forth efforts to expand its economy and maintain sustainable growth through balanced development in Siberia and the Far East. Therefore, the country's economic partnerships with Northeast Asian countries including South Korea and attraction of investments have emerged as a significant element. In addition, Russia is actively implementing measures for connecting these countries with Europe, thereby growing the country into the hub of logistics and distribution services. Lately, the online distribution industry centered on South Korean consumer goods has been expanding in Russia. This series of recent developments presents a good opportunity to develop and expand economic cooperation between South Korea and Russia.

2. Examination of the Korean Peninsula's Environment for Economic Cooperation and the Korea-EAEU FTA

It is useful to revisit the Putin administration's early years to examine the Korean Peninsula's environment for economic cooperation. Putin's policy on the Korean Peninsula during the first to third terms can be described as a pragmatic economic policy that prioritized Russia's own interests. Russia tried to settle into the global

economy more easily through cooperation with South Korea that had economic power in Northeast Asia. Therefore, Russia has promoted projects such as the construction of a transmission network connecting Russia, South Korea and North Korea, the construction of a transcontinental railway, and the connection of gas pipelines. In particular, the country hoped to grow its economy and receive support from South Korea for the technology and capital necessary for infrastructure and energy development in Siberia and the Far East that had relatively been underdeveloped (Yang Jung-Hoon, 2018). This Russian policy of economic cooperation is considered highly effective for South Korea that has pursued a stable acquisition of energy supply bases in line with its nuclear power phase-out. The Putin government, which is currently in its fourth term, is directing its efforts toward breaking away from the former ideological confrontation to some extent to recover from and revitalize the depressed economy. From a long-term perspective, the country is also stepping up efforts to expand diplomatic and economic cooperation with Western countries. To further develop the Far East region, Russia also continues to promote the establishment of infrastructure and the development of free trade zones for foreign companies. In this environment, the importance of the Korean Peninsula as a critical economic and diplomatic buffer zone is coming to the fore. In recent years, the Russia-led EAEU is working to sign a Free Trade Agreement (FTA) with South Korea. The EAEU is a regional economic union launched in January 2015 by the three countries of Russia, Kazakhstan, and Belarus through the expansion of their customs union. It currently has five member states including Russia, Kazakhstan, Belarus,

Kyrgyzstan, Armenia and a consumer market of over 300 million people. The EAEU specifies that tariffs cannot be imposed between the member countries while common tariffs are applied to countries outside the region, and the liberalization of services and investments should be maintained within the region. Moreover, the EAEU can negotiate and conclude FTAs on behalf of each member country. It is predicted to evolve into an alliance that integrates even armed forces and politics in the future. It also has the world's second largest reserves of natural gas with a 20% share and largest reserves of oil with a 15% share. With the launch of this alliance, foreign companies in non-member states are given considerably limited opportunities to participate in projects within this region. Trade between South Korea and Russia has continued to increase to a certain extent until the pre-COVID-19 period. Meanwhile, Russia is further strengthening trade and cooperation between the EAEU member states, along with the development of Siberia and the Far East. Therefore, South Korea's promotion of the FTA with the Russia-led EAEU can be an essential process to further develop economic partnership between South Korea and Russia. The EAEU signed an FTA with Vietnam in 2015 and this agreement took effect at the end of 2016. Later, it also concluded an FTA with Iran in 2018, which came into effect in October 2019. At present, Russia and South Korea are facilitating discussions to conclude the FTA by forming a joint negotiating group (Jung Eun-Sang, 2020). Although South Korea expects to have its products with market competitiveness included in the FTA items, the EAEU is still considering the option carefully. Nevertheless, this agreement will ultimately be steered in a positive direction that enables

mutual growth and prosperity. South Korea is negotiating with a focus on services and investment and set to further segment them ahead to negotiate over healthcare, distribution, and logistics as well. If the agreement is concluded in the future, South Korea will be able to use Russia and the EAEU members, which have the world's largest resources, effectively as overseas resource suppliers and enlarge opportunities to participate in energy development and infrastructure construction in Siberia and the Far East. In addition, the trade volume between South Korea and Russia is projected to grow significantly in the next few years.

IV. CONCLUSION

This study examined Russia's strengths and weaknesses as well as opportunities and risk factors that influence economic cooperation between South Korea and Russia. As the country having the world's largest resources, Russia has various advantages that South Korea can utilize as an important resource supplier and energy development partner in the future. Russia has a population of 150 million and a vast market of about 300 million consumers when including the Russia-led EAEU. Russia is geographically the Eurasia region's economic and diplomatic center and is promoting the revitalization of economies of its underdeveloped provinces and infrastructure development policies. Therefore, the country presents good conditions to expand cooperation with South Korea that has recently implemented the New Northern Policy. Although economic development in underdeveloped regions such as Siberia and the Far East can provide first mover advantages, it requires relatively long-term investment. On the other hand,

Russia lacks a manufacturing base compared to its economic scale. In this case, it is advantageous to make inroads into the market in a manner that combines financial investment and development. It is beneficial for South Korea's energy resource enterprises, mainly led by large Korean companies, to pay attention to and enter the local market. Russia lacks most of the infrastructure components except for getting electricity and registering property and has relatively inadequate logistics and distribution supply chains.

The description of the world's most resource-rich country means that the country's economy relies on the export of resources. Therefore, continuous investment should be made for the development of resources, and changes in raw material prices in response to the global economy can also affect the country's economy. The Putin government, which began its fourth term in power in 2018, is increasing tax incentives for foreign investments and companies entering the country to expand its insufficient manufacturing infrastructure and develop the underdeveloped Far East region according to the country's balanced regional development policy. Therefore, joint research on the conclusion of an FTA between South Korea and the EAEU, which has been underway since 2017, can serve as a useful opportunity for South Korea. Russia boasts of the space industry with high-level technical expertise, basic science, and specialized IT technologies. Moreover, South Korea imports and consumes large amounts of energy from Russia as its major import and export partner. Therefore, South Korea can make use of Russia's expertise in those fields by applying it to Koreans' real lives by increasing opportunities to partner with the country. The economic sanctions imposed by the US and EU, which have been underway since

the Obama administration, the economic downturn caused by the COVID-19 pandemic and the drop in global raw material prices, as well as the risk of exchange fluctuations can pose a threat to the Russian economy in part. South Korea's IT industry including semiconductors has advanced in ways that achieve superiority by acquiring and speedily enhancing advanced countries' cutting-edge technologies or catching up with the latest technologies through large-scale R&D investments. However, as South Korea increasingly dominates the global market in various sectors including IT, the existing advanced countries are keeping the country in check while China and emerging developing countries are chasing it more intensely. It becomes therefore important to maintain a long-term partnership with Russia by developing economic cooperation in Russia's areas of strength such as aerospace, lasers, and basic science that can have a positive impact on South Korea's technical development. It is also necessary in part that South Korea with high-level hardware technology and Russia specialized in software development conduct joint research on a regular basis. South Korea should make efforts to develop and upgrade new IT hardware by utilizing Russia's high-level design technology (Jung Min-Hyun, Min Ji-Young, Jung Dong-Yeon and Kim Sang-Hwan, 2020). South Korea's small and medium-sized businesses and start-ups with specialized technologies should pay attention to the Skolkovo Innovation Center, which Russia continues to develop by benchmarking Silicon Valley in the US. In addition, national support necessary for their entry into the Center should be increased. South Korea can also benefit from forming a national-level organization for technical cooperation between the two countries and

actively exchange related policies. As discussed earlier, Russia has a resource-dependent economic structure in which the national economy grows based on energy and mineral resources, and as a result, shows limitations in facilitating qualitative economic growth with its insufficient manufacturing base. Therefore, it is important that South Korean companies with a sound manufacturing base and accumulated know-how on infrastructure construction participate in Russia's infrastructure projects. It is also effective to set up various cooperative groups for investment and development, which can create a synergy effect through active cooperation with financial institutions rather than mere participation. Compared to Russia's vast territory, its logistics and distribution supply chains are relatively unstable due to lack of infrastructure. Accordingly, Russia should make efforts to implement South Korea's effective online logistics system in the local market and create smooth local business transactions through economic cooperation with Korean companies specialized in online commerce. In addition to expanding business-to-business economic cooperation, it is also important to continue to develop measures for clearing trade obstacles and improve them through regular national-level exchanges and consultations. The Russia-led EAEU and South Korea, which are already conducting joint research for the signing of the FTA between the two parties, should expedite its conclusion to expand bilateral

trade volumes and reduce trade deficits. South Korea can further develop economic cooperation with the EAEU member countries and acquire a large import market by signing the FTA (Lee Jong-Moon, 2019). Moreover, it can receive a low-wage workforce and technical support for cutting-edge technologies and basic science more conveniently. Although state-led economic cooperation is generally important, economic cooperation in the private sector can increase trust and cement diplomatic relations between the two countries more readily. Thus, it is useful to continue mutual cultural exchange projects through informal channels and form a consultative body that can conduct research on them. As discussed thus far, the present study proposed several measures for developing and expanding economic cooperation between South Korea and Russia through the examination and analysis of Russia's political and economic environment as well as major industrial environment. This study was conducted while using official data and accurately grasping the causal relationship. In areas requiring supplementation or accurate evaluation, many references were used to carry out the study. However, since the study was mainly conducted in a qualitative method, some limitations were indicated. Therefore, when an FTA is officially concluded between Korea and the EAEU in the future, quantitative research methods will be mainly used to study changes in trade between the two countries.

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