

К 30-ЛЕТНЕЙ ГОДОВЩИНЕ УСТАНОВЛЕНИЯ ДИПЛОМАТИЧЕСКИХ ОТНОШЕНИЙ МЕЖДУ РОССИЕЙ И РЕСПУБЛИКОЙ КОРЕЯ

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Main achievements and further tasks for Korean-Russian economic cooperation: From trade to investment and innovation

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The article aims to examine the performance of trade and investment since the diplomatic normalization of relations between the Russian Federation (RF) and the Republic of Korea (ROK) and also suggests further areas for the development of economic cooperation between the two countries. The volume of trade between the two countries in 2019 has grown 116-fold compared to 1992. To increase trade volume, it is necessary to increase intra-industry trade to improve the mutual relationship. The direct investment of Korea into Russia has been increased, as well as diversified in different sectors. Korea's total investment in Russia is approximately 2.75 billion USD, which is relatively small compared to investments made by Korea globally. Korea's New Northern Policy seeks to strengthen cooperation with Russia. Korean companies must reevaluate the strategic importance of Russia. The lesson learnt from the previous experience of overcoming past crises is, first, to believe in the potential and capabilities of the Russian economy and market. The development of the Far East and the Arctic has made Russia's energy supply chain more stable and flexible in responding to changes in the energy market. In addition, Russia is also becoming the center of the 4th Industrial Revolution thanks to its advanced scientific and technological capabilities, as well as the revival of its manufacturing industry. To advance economic cooperation between Russia and Korea, Korea has to invest in Russia's global energy supply chain and participate in the formation of a global value chain in a certain industry by combining Russian advanced science and technology with Korean product development planning and global marketing capabilities. Specifically, The Far East, Arctic Development, and Triangle (or Quadrangle) Cooperation among ROK-DPRK-Russia (-China) will provide significant opportunities to Korean companies.

Keywords: economic cooperation, trade, investment, Korea, Russia.

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Introduction

Analyzing the performance of economic cooperation between Korea and Russia over the past 30 years provides us to understand the meaning of the results of economic cooperation between two countries and to know what to do for its further development. In the past, there was not enough data on economic cooperation between two countries as the period of trade between two countries was short after the establishment of diplomatic relations. Thus, it was difficult to have been used as data for policy to promote economic cooperation with limited information. However, 30 years of accumulation of trade information shows how bilateral cooperation is taking place, and also shows how cooperation should develop in the future.

Trade volume between Korea and Russia has been on the rise since the diplomatic normalization. There was a difficult period of 1997–1998 of East Asia crisis and 2008 of global financial crisis for the cooperation. However, trade between Korea and Russia increased through a greater growth than before after the crisis. As the Russian economy recovered and grew significantly in the 2000s, Korean companies' investments have increased. Starting with Paldo Ramen, LG Electronics and Samsung Electronics established factories near Moscow and Hyundai Motors invested in St. Petersburg. Lotte operates hotels in Moscow and St. Petersburg.

In the field of science and technology, Korea's first space satellite Naro (100kg-class small satellite) was developed by the international cooperation with Russia. Russia was in charge of designing and developing the first-stage rockets and related equipment, and Korea developed the second-stage solid-state motor and built the Naro Space Center. Since then, large and small cooperation in science and technology has continued, and Samsung Electronics recently established an AI center in Moscow, proving that the potential for cooperation between the two countries is still great.

The paper will examine the achievements of both countries through trade and investment in the past 30 years, and analyze whether there is a need to explore the possibility of new changes of economic cooperation in the context of changes in the global value chain in the future. This study analyzed the problems of trade and investment between the two countries using statistical data on trade and investment, and Korean companies' experience in the Russian market was conducted qualitative analysis using newspapers and broadcast data.

The paper is organized as follows. The next section looks at Korea and Russia's trade and investment performance and its evaluation. Section 3 analyzes what opportunities Korean companies have found in the Russian market over the past 30 years. These experiences can provide lessons to increase cooperation between the two countries. Section 4 proposes measures and specific tasks to enhance economic cooperation. The last section is the conclusion.

The Evaluation of Performance of Trade and Investment

The performance in the economic fields has been quite impressive during 30 years of Korea-Russia diplomatic relations. The volume of trade between two countries in 2019 has grown 116-fold compared to 1992. In 2019 exports from Korea to Russia has reached 7.74 billion US dollars and imports of Korea from Russia — 14.57 billion US dollars. There were big concerns that the volume of trade between two countries has been significantly fluctuated since 1992 (see Fig. 1).

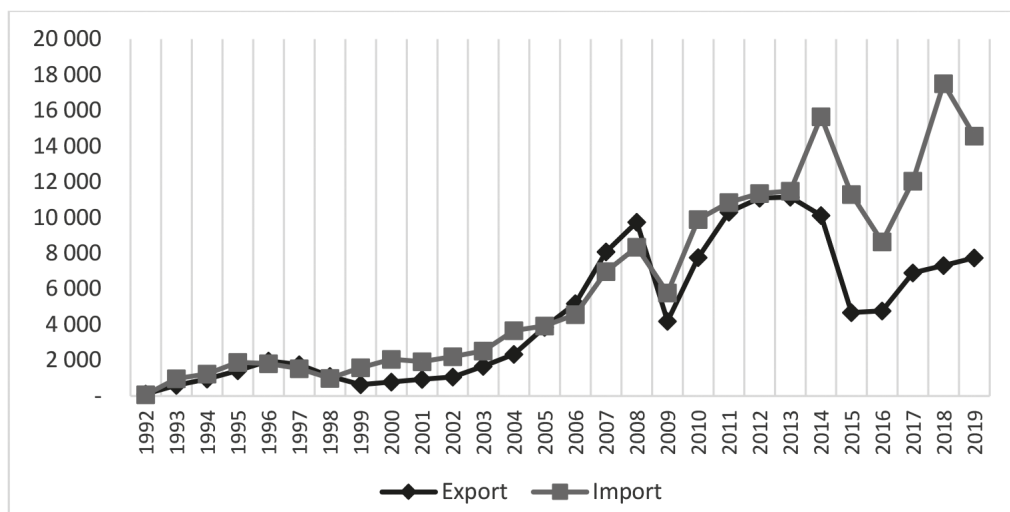


Fig. 1. Dynamics of bilateral trade (1992–2019)

Source: Korea Trade Association (KITA).

In short, no matter what trade between the two countries has been increasingly diversified during the past 30 years, Korea is likely to export mainly finished products of the manufacturing sectors, whereas Russia maintains the structure of the commodity to export natural resources and raw materials. Figure 1 shows that trade between Korea and Russia has been vulnerable to changes in the external environment. Even though total volume of trade had been exceeded 25 billion US dollars, the share of Korean exports to Russia in total exports of Korea was about 2% (2019), and the share of trade with Korea is low in the Russian foreign trade. Main export items of Korea are cars, cell phone, and so on, which share in total exports is over half of total exports, that is, Korean exports is not diversified and could be fluctuated [1]. Russia's exports to Korea also highly depend on the specific commodities such as energy and raw materials.

It is necessary to increase intra-industry trade to improve mutual complementarity. Trade between the two countries should grow stably only if the share of intra-industry trade is greater than inter-industry trade. Korea and Russia have to find new strategic tradable goods and services to reduce uncertainty of trade by mutual investment for increasing intra-industry trade (see Fig. 2).

Analyzing investment performance, Korean companies have invested relatively larger in Russia, vice versa Russian companies have less invested in Korea [2]. In the 2000s, Russian companies increased outward investment, but Korea was not considered to be one of main destinations for Russian companies [3].

Direct investment of Korea into Russia has been increased as well as diversified along the different sectors, mainly manufacturing, wholesale and retail during the past few years. In addition, the average scale of each investment became larger than ever before. However, total investment of Korea into Russian market is about 2.75 billion USD, which is relatively small amount of investment has been made by the Korea globally, when it compared to total investment. The share of investment into Russia is about 1.5% of total Korean

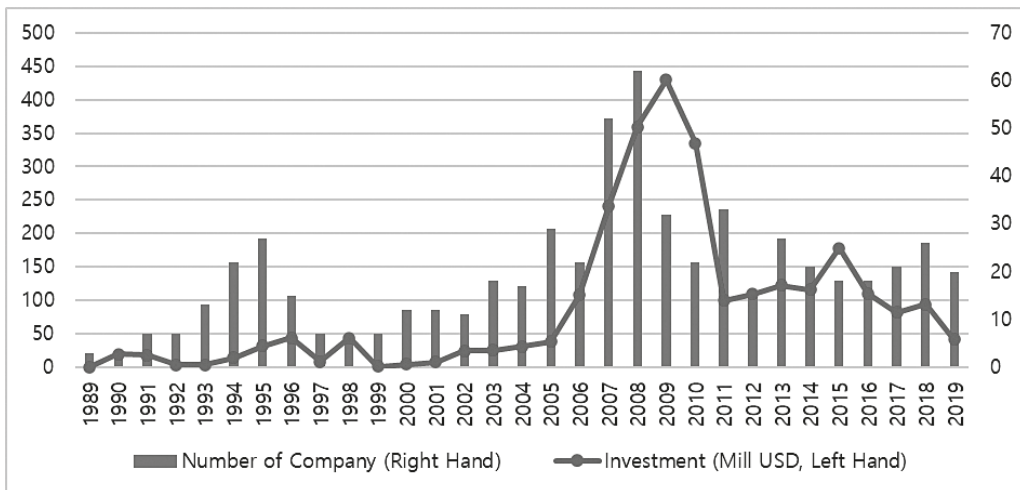


Fig. 2. Korea's Investment in Russia (1989–2019)

(Million USD, Number of Companies)

Source: The Export and Import Bank of Korea.

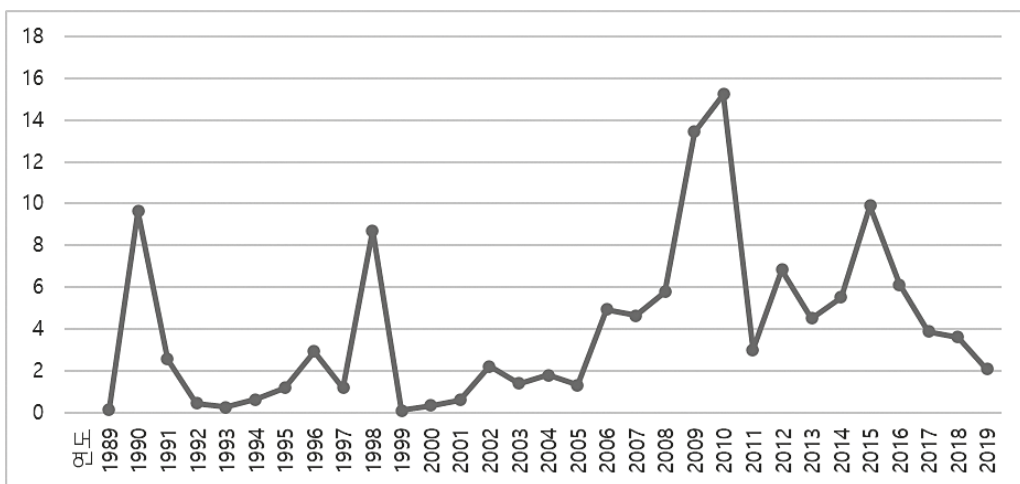


Fig. 3. Trends of Average Volume of Investment (1989–2019)

(Million USD)

Source: The Export and Import Bank of Korea.

outward investment (at the end of 2019). One of main reasons, why mutual investments between two countries are relatively low, is caused by the asymmetric trade structure as well as lack of understanding of strategic importance of Russian market (see Fig. 3).

Overall trade pattern and investment structure between two countries has shown the partial success because both countries do not reflect the development strategy of each countries for the economic cooperation. Sustainable economic cooperation requires much great efforts to improve business environment of both countries as well as deliver relevant information to each other.

Table 1. Achievements and Challenges of Trade and Investment

	Achievements	Challenges
Trade	<ul style="list-style-type: none"> • 116-fold growth (2019/1992) • Fluctuation in some period 	<ul style="list-style-type: none"> • Increase Trade Volume • Intra-Industry trade rather than Inter-Industry Trade • FTA with EAEU
Investment	<ul style="list-style-type: none"> • Investment of major Korean companies • Progress in FTA in Service and Investment 	<ul style="list-style-type: none"> • Less than 100 mill. USD since 2017 • Concentration on region and sector

President Vladimir Putin is reaffirming the Russian government's will to promote the development of the non-resource sector in the fourth presidential term. At the same time, Russian government developed a number of ideas and plans that could be of assistance in the Far East development [4]. In other words, Russian authorities call the Korean companies' investment in diversification of economy as well as the Far East development. However, Korean investments, including Lotte, Samsung, LG, Hyundai Motor, are mainly concentrated in the consumer goods and services that could be not strategic important areas for Russian economy. Russian trade and investment in Korea is not significantly high and it does not contribute the development of Korean economy so far.

Therefore, it is questionable whether trade between Korea and Russia will continue to increase in the future like last three decades because of trade structure and relatively low level of mutual investment. Such an asymmetric trade structure could be influenced by fluctuations in resource prices and changes in economic conditions of both countries. It is necessary to understand how Korean companies are making use of the opportunities they have had over the past 30 years in Russia, which will give good insight and lessons for developing new possibilities for both countries in the future.

The Three Waves of Opportunities for Korea during Last Three Decades in Russia

The need from both countries has been a basis for the upgrading the economic cooperation. Previous experience has shown that Korean companies have been succeed at least two chances provided by the Russian market.

The first wave of opportunities has been started since diplomatic normalization of 1990 in terms of economic cooperation. At that time, Russia, as part of USSR, suffered from economic difficulties and sought new partners that could provide capital and technology. One of new and good partner was Republic of Korea. Then Korean companies should find new market where Korean companies evaluate at the same level of reputation of Japanese companies. Many Korean companies of consumer sector started brand sale for the first time in the 1980s, however the brand value of Korean companies was relatively low in US and European market at that time.

Many Korean firms extended geographical scope of their business for searching the market of opportunities. After success of Seoul Olympic in 1988, the national value of Korea became higher than before. Korean companies wanted to use this chance in new market where is no big difference of brand value between Korean companies and Japanese ones. In short, New Thinking Policy of USSR and the Northern Policy of Korean Ro Tae-

Woo government provided the first wave of opportunities in opening and strengthening the economic cooperation. Unfortunately, this wave steadily disappeared after dissolution of USSR and economic turmoil in early period of transition.

The second wave of opportunities has begun after economic crisis of 1997 and 1998 in Korea and in Russia respectively. Before the crisis, Korean business culture was quite different from Western one. After 1997 crisis, Korean companies compelled to be adopt the global standard of business rules and norms by the IMF conditionality, and some of *Chaebol* has collapsed and other *Chaebols* have changed the corporate governance and business structure, which is main driver of changes in all of business activities. The *Chaebol* and other small and medium enterprise have to restructure its business for reduce overall debt ratio which leads disinvestment in the worldwide. Meanwhile in 1998 many foreign company left Russian market after economic crisis. Korean companies, which started new brand in the late 1980s, have no choice and maintain its business in Russia while many Japanese firms withdrew from Russia.

Thanks to maintaining Russia business, Korean companies enjoyed the high economic growth of Russian economy since 1999. As a result, Korean companies enabled to overcome Japanese brand in the Russian and Eurasian market, which became the basis of globalization of its brand. This was main reasons of investment of big consumer brand makers in Russia.

After 2008 global economic crisis, there are big challenges comes from rebalancing between great powers. At the same them, the third wave of opportunities for Korea-Russia economic cooperation comes from Russia's New Eastern Policy and Korea's New Northern Policy of Moon Jae-In government. Russia consider the East Asian nations as important partners for the Russian trade with them already exceeds Russia's trade volume with the post-Soviet Eurasian states. Russia want to modernize its underdeveloped East Siberia and the Far East in cooperation with Asia-Pacific countries. Russian government established the law of special advanced economic development zone, which includes special privilege such as attracting foreign labor, providing the land plots for the construction, using of State and Municipal property for construction and so on. Table 1 has shown the main business conditions of main Asia-Pacific countries.

The level of integration in the North East Asia is relatively low when it compared to the other regions in the world and there are severe competition and conflicts between the countries of NEA. Korea's New Northern Policy is the vision of cooperation in the era of peace and prosperity in Eurasia and Korean Peninsula [5]. The importance of the Eurasia has increased as Russia, Central Asia, and Mongolia showed rapid economic growth.

The rise of mega-FTAs such as TPP, RECEP, and US-EU FTA, and emerging economies changes the international trade environment and the creation of EAEU, Russia's Pivot to Asia, and China's Belt & Road Initiatives provide the opportunities and challenges simultaneously. Moon Jae In government's New Northern Policy proposed Nine Bridges for linking energy and logistics infrastructure across Korean Peninsula to the Far East and suggested establishing a 'East Asian Railway Community' connecting rail and road networks from the Korean Peninsula to Russia and the development of new sea routes utilizing the Arctic Sea.

Russia also is doing its part in leading the agenda on energy connectivity and security in the Asia-Pacific regions and its working with the two Koreas on infrastructure development. No matter what, in the future the share of Russia's energy sector in exports in NEA

Table 2. Some Results from Previous Challenges of Korean Companies in Russia

	External Environment	Challenges	Results
1 st Opportunity (1990–1991)	<ul style="list-style-type: none"> • Diplomatic Normalization (1990) 	<ul style="list-style-type: none"> • Brand Sale in Global and Russian market 	<ul style="list-style-type: none"> • Prominent Success in Brand Sale
2 nd Opportunity (1997–1998)	<ul style="list-style-type: none"> • East Asian Economic Crisis (1997) • Russia's Crisis(1998) 	<ul style="list-style-type: none"> • Localization in Russia and Increasing CSR activities for Russian consumer 	<ul style="list-style-type: none"> • Become global leader brand
3 rd Opportunity (2014–current)	<ul style="list-style-type: none"> • Low Oil Price • Sanction 	<ul style="list-style-type: none"> • Far East and Arctic Development • 4th Industrial Revolution 	<ul style="list-style-type: none"> • n.a.

will increase because of the problem with the European energy market and new external financial sources for diversifying the Russian economy.

In addition, there are also many changes in the region. For instance, Russia resumed the relations with North Korea. In 2013, the joint venture between North Korea and Russia constructed a modern railway from the Russia/North Korea border to Rason and reconstruction of one of its piers [6].

There are many more examples of bilateral and multilateral discussions in NEA. Concurrently, it is essential to connect these efforts, and is toward a more integrated approach to make synergy effect. GTI is good case, which has opened the new possibilities of cross-border trading in this low integrated region in the world. AIIB also provides new source of funding in the NEA. It is good and big opportunities to make progress in economic cooperation.

By taking advantage of the previous two opportunities, Korean companies were able to achieve a leading position in the global market. Table 2 shows the performance of Korean companies. One space in Table 2 is still empty. What to fill depends on the choice of Korean companies. More Korean companies can become leaders in the global market if it takes advantage of the third opportunity offered by Russian economy.

Measures for Upgrading Economic Cooperation

The performance of Korean companies is the result of actively analyzing and responding to the Russian economy as well as changes in the global market. It is necessary to consider the changes in the global energy supply chain and the value chain and effectively combine the competitiveness of Korea and Russia to upgrade the economic cooperation between the Korean and Russian economies. The development of the Far East and the Arctic has made Russia's energy supply chain more stable and flexible in responding to changes in the energy market. In addition, Russia is also becoming the center of the 4th Industrial Revolution thanks to its advanced science and technology capabilities and the manufacturing industry is reviving in Russia.

First, Korean investment in Russia's global energy supply chain and its strengthening role should be considered for the development of cooperation. Second, it is necessary to lead the formation of a global value chain in some industry by combining Russian advanced science and technology with Korean product development planning and global

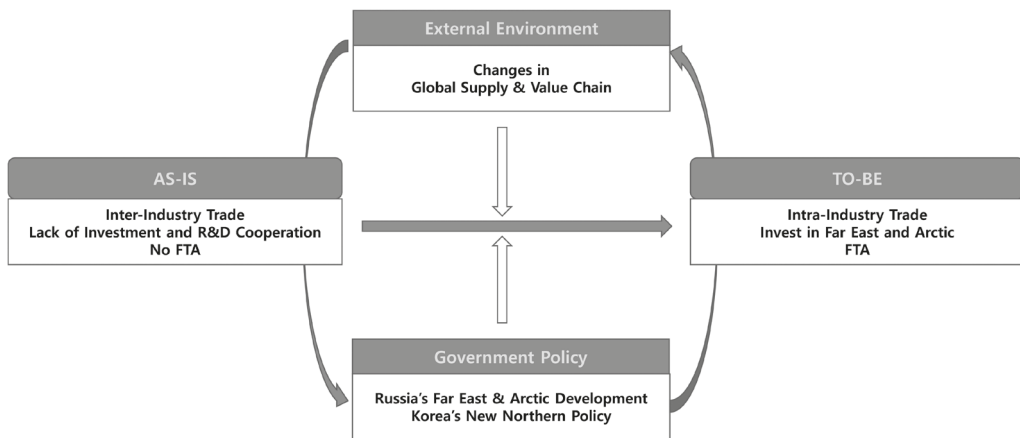


Fig. 4. New Concept of Cooperation

marketing capabilities. In particular, it will contribute to the diversification of industry and the process of integration into the global value chains (see Fig. 4).

The first task for both countries is exploring the Pivot to Asia of Russia and New Northern Policy of Korea. Russia's Pivot to Asia focuses on the development of the Far East and Siberia, while strengthening cooperation with countries in Asia-Pacific region, aims to open the "Euro-Pacific" era [7]. If Russia manages to successfully implement the program of development of the Far East, and Russia will strengthen its position in the Asia-Pacific.

Korea's New Northern Policy seeks to strengthen cooperation with the Russia and other Eurasian countries [8]. Korean companies have competitive advantages and capability to participate in the development of the Far East, primarily it's an experience to overcome the difficulties associated with poor infrastructure, lack of funds, lack of intellectual capital as well as available financial achievements during the Rapid industrialization period.

Connection of Global Supply Chain and Global Value Chain

Korean and Russian companies are complementary in the value chain of raw material procurement, R & D, production system, and marketing. If Korean and Russian companies cooperate, they will be able to maintain higher competitiveness in the changing global value chain.

Russia has high competitiveness in areas such as the nuclear industry, aviation, and space industry, which is quite different industrial environment from other countries. Russian companies should be actively integrated into the global value chain. The potential of companies in the Far East underestimated as they have little chance to be part of global value chain. Korean and Russian companies should make efforts to bridge industrial ecosystem for connecting their businesses in global market as well as enhance scientific and technological cooperation.

The followings are cases of Korean companies and Russian companies working together to create a new business model. Hyundai Mobis of Hyundai Motor Group is devel-

oping autonomous taxis in partnership with Russia's largest IT company Yandex. Hyundai Mobis has signed a memorandum of understanding with Yandex for joint development of an autonomous navigation platform based on Deep Learning. Hyundai and Yandex plan to provide autonomous car service including robot taxi to global market [9].

Samsung Electronics established Moscow AI research center because Russia has educational advantages and technical competence. Samsung Electronics cooperated with HSE for various R & D activities in the mobile sector for the past several years. The center plans to increase the number of researchers up to about 200. Samsung Electronics has established an IoT Samsung Academy curriculum at ten leading universities in Russia such as Moscow, St. Petersburg, Ekaterinburg and Chelyabinsk and so on [10].

KT signed an MOU with the Russian Railways for digital healthcare business. KT plans to launch a pilot project in the first half of 2019 in emergency situations. KT plans to build a digital healthcare solution system using ICT technology at trains and hospitals of the railway station in Russia. It can quickly diagnose cardiovascular diseases with a small amount of blood and urine [11]. Moreover, Bundang Seoul National University Hospital will also participate and establish a remote healthcare system between 5 local hospitals belonging to Russian Railways and Moscow Central Hospital [12].

The cases show that Korean and Russian companies work together to create a new type of business model. If such cooperation is activated, naturally, Korea and Russia will build a division of labor in some value chain, and then intra-industry trade will be increased.

In addition, the abundant reserves of natural resources and huge territory in Eurasia make Russia very attractive place and center of global supply chain. Climate change and the shrinking of ice in the Arctic provide the opportunity to use the Northern Sea Route. This route is attractive because of reducing travel time and transportation costs. To maximize the benefits of the Russian Federation as a global supply chain must work out the legal framework and infrastructure. Korean companies have to increase in participation in development of the transit potential of the Russian Federation.

Participation in Arctic Development

According to National Snow and Ice Data Center, constant decrease in average monthly Arctic sea extent enables Arctic corridor in near future. Unlocking the Arctic is already real [13]. Russia has two of three giant natural gas reserves, Yamal and Shtokman in the Arctic sea. President Putin mentioned that strategic interests of Russia in the Arctic sea are energy resources and Northern Sea Route as international transit route [14]. Russia already has made in some progress in the construction of the Yamal LNG facilities and the propagation of large-scale shipping along the Northern Sea Route. These initiatives enable to connect Russia's economy more closely to the Asia-Pacific region. Moreover, they are likely to increase the success of Putin's Asia-Pacific pivot policy and to enhance Russia's reputation as the preeminent Arctic power.

Yamal Megaproject has 11 gas fields (16TCM) and 15 oil & condensate fields (530MMT). Yamal LNG distributors, total investment 20 billion USD owned by Novatek (Russia, 60%), with participation of Total (France), CNPC (China). Novatek considers selling 9% of its Yamal-LNG share to foreign company [15]. Yamal LNG Carrier Project is making 16 ships, including 7 ice-class tanker. DSME has received the order of total 4.7 bil-

lion USD in July 2014 and will launch most of Ice Breaker LNG Carrier in 2016. Total 14 ships will be launched till 2020 Yamal project alone.

Korea's main interests in the Arctic is New Arctic route, resource development, increasing participation in the Arctic governance. A KMI research paper of Lee, Song and Oh (2011) argues that Northern Sea Route (NSR) would reduce the travel distance by 40 percent, cutting the time by a maximum of 10 days and reducing fuel costs by 25 percent [16]. In addition, NSR will boost the shipping and offshore platform industries, as Arctic navigation requires special vessels, such as icebreakers, container ships with ice-breaking capability, icebreaking tankers and fuel ships transporting liquefied natural gas. When it comes to governance, Korea's bilateral efforts with Arctic nations are mainly focused on Russia since it is geographically close and occupies most of the coast along the NSR.

Marine plant market in the Arctic expected about 80 billion in 2030. Korean Ship and Marine Companies has the best technologies in Floating Structure platform such as ship-shaped and round hull FPSO, drill rig, multi-leg and single-leg platform, icebreakers and support vessel. Korean companies has high technologies in port facilities, navigation aids.

Certainly, NSR as the promising cooperation area between ROK and RF. Russia has much potentials, as the hub of global supply chain, however, there are many challenges and obstacles to realize NSR's potentials. For instance, rapid fall of oil prices in the global market, sanctions against Russia, finding a balance in the cargo traffic between the Asia-Pacific and Europe, few safe ports for services on the Russian coast along the NSR, and so on.

Russia in cooperation with Korea can make success story of Arctic development step by step. Both countries have to establish cooperation mechanism. For example, 1) we can establish Multilateral cooperation mechanism 'Asia-Pacific-Arctic Council'(APAC) like Barents Euro Arctic Council (BEAC), 2) make business collaboration platform Fund for NSR, 3) joint study on Tariff & Regulation Policy RF on NSR, 4) prepare joint business model for commercial use of NSR, if possible, establish council of logistics operators for NSR.

Then after or at the same time, Russia and Korea together develop Key-Ports in Arctic area, risk sharing in the form of equity participation in resource development, technologies exchanges with collaboration with Russian research institutions. As a result, Korea and Russia should become strategic alliances for the Arctic development.

Triangle (or Quadrangle) Cooperation among ROK-DPRK-Russia (-China)

Main benefit of participation in the NEA cross border cooperation is that it will increase current investment flows to the Russia's Far East and East Siberia as well as secure stable and dynamic markets for natural resources. Moreover, Russia will access alternative sources of financing and high technology.

Russian government, more than ever, is making efforts to develop the Far East. Russia's Far East development requires cross-border cooperation in the NEA [17]. The ports, such as Zarubino and Posyet, are well-developed in the Troika harbor region and the region has become a central region for land and maritime logistics as the railways from Hunchun of China, to Mahalino of Russia (75 km), and from Najin of North Korea, to Khasan of Russia, reopened in August and October 2013, respectively.

This region has few residents with connections to Khasan-Posyet-Zarubino, and, for this reason, the shortage of product labor force is inevitable and self-demand for consumer products is insecure. In addition, this region is considered important for the cooperation between South Korea, North Korea, and Russia. They cooperated to develop the energy sector such as PNG and power grid connection, however, the cooperation has stopped due to security matters caused by North Korea. Korean investors intended to take opportunities through the hub of an industrial complex that connects Zarubino, Posyet, and Khasan.

Ussuriysk, located north of Vladivostok, is a major transportation hub through which the TSR and the railway to Harbin pass. Ussuriysk has long been one of the major agricultural regions, thanks to the flourishing water resources from Lake Khanka. Recently, a high-value added manufacturing industry has entered, going beyond the primary light industry, such as sewing and shoe-making.

Meanwhile, Moon Jae-In government's New Economic Initiatives of Korean Peninsula Creating new growth engines for the Korean economy through improving inter-Korean relations and stimulating economic cooperation between two Koreas. It is also grand plan to expand economic cooperation to Northeast Asia and Eurasia. New Economic Initiative makes ROK to be Linker State of Eurasia Continent and Pacific. Economic corridor enables to reconnect railroads as well as roads and construct the pipeline and fiber cable on the cross border. Energy, power, logistics, transportation, high-tech industries, marine / agricultural and fishery foods, tourism, environment, resources, etc. It is crucial to expand economic cooperation with Russia because New Economic Initiatives of Korean Peninsula require ROK-DPRK-RF 3-lateral cooperation.

In sum, it requires to develop triangle projects among ROK, DPRK, and Russia, and/or quadrangle framework for ROK, DPRK, Russia, and China. It will be based on the mechanisms for open regionalism.

Various Forms of Resource Cooperation

After the US producing shale gas, the global energy market is turning into a natural gas market. Russia also needs to diversify its energy exporting countries and Korea has to diversify its energy imports. The reason why Korea is interested in importing Russian natural gas is related to, first, stabilization of energy supply and, second, development of Korean shipbuilding industry. It is also linked to the development of the petrochemical industry. If import of PNG and LNG, Korea can be a natural gas hub country, though it is an energy importing country. Natural gas cooperation with Russia make reduce the bargaining power of the Middle East vis-à-vis Korea, usually, Middle East countries required terms of agreement, so-called "take or pay" and "destination clauses" [18]. Korea will also import US shale gas.

In addition, Resource Cooperation in the NEA should be carried out in various forms, for example, in the field of energy efficiency, which is one of the key policy objectives of the modernization of the Russian economy as well as NEA countries' obligation for the global society. For instance, reducing coal-based electric power system and thermal power plant in the NEA is one of top priorities of cooperation as well as the outdated heat supply system in the Far East. To resolve such problems, it should be considered the connectivity of energy, electricity, and heating system not only based on the national level but also

regional level. This form of cooperation will provide economic benefit for participants of NEA and it will eventually provide energy cooperation in the region where is low level of regional integration in the world.

FTA for Providing Platform of Cooperation

To overcome the risks of the institutional failure, Korean and Russian Governments should be taken to reduce institutional risks, and if necessary, to undertake a preliminary feasibility study on the projects for infrastructure and cross-border trade. It will be expected that the FTA in investment and services will be concluded this year, completing the first step in this collaboration [19].

In addition, both countries use all available institutional mechanisms and platforms including FTA for cooperation in specific priority areas such as aerospace industry, ICT, and agriculture, and FTA in the level of EAEU and so on.

Conclusion

The economic cooperation between Korea and Russia has been able to achieve many results until now. It is the result of the vision of the leaders of the two countries and the interest and support of the two governments. There has been a downturn in economic cooperation between the two countries for thirty years of diplomatic relations, but economic cooperation between the two countries has always been more successful after the crisis.

The lesson learns from previous experience of overcoming past crises is, first, to believe in the potential and capabilities of Russian economy and market. Although the trade has declined for some period, the trade between Korea and Russia has grown significantly after the crisis. Second, the Russian economy and the market are also changing rapidly, so it is necessary to develop new ideas to match. In 2005, for example, Hyundai Motor Company ranked first in sales, but in 2006, it did not rank top five list. This is the result of not understanding the changes in the Russian car market. In 2010, Hyundai Motor Company built an automobile plant in St. Petersburg and begun producing cars suitable for the Russian market. It is not fortunate that Hyundai Motor's sales share in the Russian automotive market today is at the top level. Third, it is difficult to achieve great results in the Russian market without investment. Samsung Electronics, LG Electronics, Lotte, and Paldo, which account for a large portion of Korean exports, were able to expand their market share by investing in Russia. Fourth, the Russian government has a strong willingness to support businesses through its Far East and Arctic development policies. It would be good for Korean investors to follow these policies. And, if necessary, requesting assistance from Russian government will help success of their business. Of course, it is also necessary to get support from the Korean government.

Unfortunately, this year, the 30th anniversary of diplomatic relations between the two countries, the world is struggling with the spread of the Corona19 virus (COVID-19). Humanity will win the fight against the Corona19 virus. Moreover, as before, the Korean and Russian governments, businesses and citizens will continue to work hard to get closer. However, in order for these efforts to lead to meaningful results, a creative way of cooperation should be suggested that goes beyond the existing way of thinking, and interest and support must be continued to realize it.

The new idea suggested above is not actually a new one. It has already been suggested and discussed by experts and businesspersons from both countries. Not all good ideas could be included in this article. It is hoped that more experts, businesspersons and citizens will suggest ways to strengthen economic cooperation between the two countries.

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