

Bongchul Kim¹, K. Baizakova² , Minkyung Shin² 

¹ Hankuk University of Foreign Studies, Korea, Seoul, email: bong625@hufs.ac.kr

² al-Farabi Kazakh National University, Kazakhstan, Almaty

THE KOREA-RUSSIA TRADE ACTIVATION WITH THE ARCTIC SEA ROUTE COOPERATION

The potential for development in the Arctic Circle is wide and it is fully predictable that the development of resources in the region will accelerate further exploration of the Arctic sea route. Russia is showing high interest in developing resources that are not in the economic sanction list. Moreover, the exploration and utilization of the so-called Arctic sea route across the regional ocean is recently receiving massive attention along with the climate change. Korea and Russia have expanded the economic cooperation and now the two countries are looking for a new model of the work. They can share the goals through the further development of Russian Arctic Circle with the rapid exploitation of resources due to climate change and technological development. Korean companies have begun to bring the real economic benefits, having positive effects on related industries such as the construction of transport and special ships. There are many ways for realizing the goal, but we can specifically propose a Korea-Russia FTA. In the process of pursuing it, the government should also consider various tasks, such as harmonizing with the FTAs Korea has been signing, and dealing with the domestic law in accordance with the new FTA, based on the previous experiences. From Russia's point of view, special circumstances such as the EAEU should be taken in consideration. The process of signing the FTA, which will serve as the international legal basis for cooperation between the partners, should be clearly marked for the purpose of 'Sustainable Arctic Development'. Furthermore, these propositions should be able to be digested in the process of utilizing FTAs and readjusting domestic and international regulations, as well as the joint response to the emergence of new industries, markets, and even unforeseen issues. In Korea's perspective, it should consider the possibility that the FTA could be used in non-economic areas such as on the Korean Peninsula issue.

Key words: Korea, Russia, Arctic Circle, Arctic Sea Route, Free Trade Agreement (FTA), Eurasian Economic Union (EAEU).

Ким Бонгчоль¹, К. Байзақова², Шин Мингён²

¹ Хангук шет тілдер университеті, Корея Республикасы, Сеул қ.

² Әл-Фараби атындағы Қазақ ұлттық университеті, Қазақстан, Алматы қ.

Арктикалық теңіз жолын ынтымақтастығы шеңберіндегі Корея-Ресей саудасының жандануы

Полярлық шеңберден тыс даму потенциалы жоғары, сондықтан аймақтағы ресурстарды игеру арктикалық теңіз маршрутын игеруді жылдамдатуы сөзсіз. Ресей экономикалық санкцияларға кірмейтін ресурстарды игеруге үлкен қызығушылық танытуда. Сонымен қатар, аймақтық мұхит арқылы арктикалық теңіз жолын зерттеу мен пайдалану соңғы кездері климаттың өзгеруімен бірдей назарға ие болып отыр. Корея мен Ресей экономикалық ынтымақтастығын кеңейтіп, жұмыстың жаңа моделін іздеу үстінде. Олар климаттық өзгеруі мен технологиялық даму арқылы ресурстарды жылдам эксплуатациялаумен қатар ресейлік Полярлық шеңберді ары қарай дамыту жолымен мақсаттарды бөле алады. Кореялық компаниялар көлік және арнайы кемелерді жасау сияқты жанама өндірістерге оң ықпал ету арқылы нақты экономикалық пайда таба бастады. Бұл мақсатты іске асыру үшін тәсілдер көп, бірақ біз еркін сауда бойынша Корея-Ресей келісімін ерекше ұсына аламыз. Оны іске асыру барысында үкімет алдағы өткен Кореямен жасалған ЕСК-ін ортақ қарастыру мен жаңа ЕСК-мен ішкі заңнамаларды сәйкестендіру сияқты түрлі мәселелерді қарауы қажет. Ресей тарапынан ЕАЭУ сияқты ерекше жайттарға көңіл бөлген жөн. Серіктестердің арасында ынтымақтастықтың халықаралық-заңдық негізі болып келетін ЕСК-не қол қою процесі "Арктиканы тұрақты дамыту" мақсаттарында нақты белгіленуі тиіс. Сонымен қатар, бұл ұсыныстар ЕСК-ін қолдану процесін меңгеруге, ішкі және сыртқы ережелерді түзетуге және жаңа салалар, нарықтар мен күтпеген проблемалардың пайда болуына ортақ жауап қайтаруға қабілетті болулары қажет. Корея тарапынан ЕСК-ін Корея түбегіндегі сияқты экономикалық емес салаларда қолдану мүмкіндігін қарастыру қажет.

© 2020 Al-Farabi Kazakh National University

Түйін сөздер: Корея, Ресей, Солтүстік полярлы шеңбер, Арктикалық теңіз жолы, Еркін сауда келісімі (ЕСК), Еуразиялық Экономикалық Ұнтымақтастық (ЕАЭҰ).

Ким Бонгчол¹, К. Байзакова², Шин Мингён²

¹ Университет Иностранных Языков Хангук, Республика Корея, г. Сеул

² Казахский национальный университет имени аль-Фараби, Казахстан, г. Алматы

Возобновление Корейско-Русской торговли с сотрудничеством по арктическому морскому пути

Потенциал для развития торговли за Полярным кругом велик, и вполне предсказуемо, что освоение ресурсов в регионе ускорит дальнейшее освоение арктического морского маршрута. Россия проявляет большой интерес к разработке ресурсов, которые не входят в список экономических санкций. Кроме того, уделяется огромное внимание разведке и использованию так называемого арктического морского пути через региональный океан в последнее время, наряду с изменением климата. Корея и Россия расширили экономическое сотрудничество, и теперь две страны ищут новую модель работы. Они могут разделить цели путем дальнейшего развития российского Полярного круга с быстрой эксплуатацией ресурсов из-за изменения климата и технологического развития. Корейские компании начали получать реальные экономические выгоды, оказывая положительное влияние на смежные отрасли, такие как строительство транспорта и специальных судов. Есть много способов реализации этой цели, но в особенности мы можем предложить корейско-российское соглашение о свободной торговле. В процессе его реализации правительству следует также рассмотреть различные задачи, такие как согласование с ССТ, подписанными Кореей, и рассмотрение внутреннего законодательства в соответствии с новым ССТ на основе предыдущего опыта. С точки зрения России следует учитывать особые обстоятельства, такие как ЕАЭС. Процесс подписания ССТ, который послужит международно-правовой основой сотрудничества между партнерами, должен быть четко обозначен в целях «Устойчивого развития Арктики». Кроме того, эти предложения должны быть в состоянии усвоения в процессе использования ССТ и корректировки внутренних и международных правил, а также совместного реагирования на появление новых отраслей, рынков и даже непредвиденных проблем. С точки зрения Кореи, следует рассмотреть возможность использования ССТ в неэкономических областях, таких как вопрос о Корейском полуострове.

Ключевые слова: Корея, Россия, Северный полярный круг, Арктический морской путь, Соглашение о свободной торговле (ССТ), Евразийский экономический союз (ЕАЭС).

Introduction

Although there are several definitions on so-called Arctic Circle, which refers to the area upper 66-degree north latitude, is a long board line that geographically divide the polar regions and temperate climate regions in Northern Hemisphere. This boundary is also the criterion for the summer solstice and winter solstice at the same time, and during the summer time the white night where sun does not fall below the horizon is continued; accordingly, another definition for the Arctic Circle refers only to the latitude where white night goes on. However, generally, the Circle is used as a name for the northern high latitudes, which is centered to the poles.

The economic cooperation between Korea and Russia began in the early 1990s, along with changes in diplomatic ties and systems with the former Soviet Union. Currently, two countries are constantly developing the situation to share economic benefits through joint projects for resource development and explore diverse economic cooperation methods, not

only staying within a simple commodity trade. In particular, as Russian federal government imply economic significance to Far East-Siberian region, attempt to provide support and development in this area could also be a major turning point for Korea-Russia economic cooperation.

Due to global warming, the possibility of developing Arctic sea routes has become realistic as glaciers in the Arctic have gone smaller. Accordingly, as the interest for Korean companies has rapidly increased, the related research targets are also converging on the development of the shipping routes and the establishment of global logistics networks. Researches regarding development and utilization of the Russian Arctic area and its resources, and expansion of the shipping or aviation routes and logistics routes are already underway in Korea. This trend is accelerating, especially in conjunction with Korean government's 'New Northern Policy'. Nevertheless, so far most of the domestic research achievements are short-term proposals, taking into account policies and political situations of the countries.

The relevance of the study

From Russia's point of view, the economic value of this particular region is enormous, that the Arctic can be considered as the stepping stone to overcome difficulties, such as international economic sanctions. (Kim 2017, 51-52) Furthermore, this area can provide Russia benefits in many aspects, including its national security, politics, military, technology, and environment, beyond the mere economic perspective of the region as a hub of resources. The Russian government is making great efforts for economic development while securing security awareness of the Arctic Circle. (Seidler 2010, 258)

However, in order to succeed, we need to prepare for the limitations of this possibility. In particular, in the Far East Russia region, there are major limitations for companies to operate finances through foreign exchange control, which includes the friction between the central and local governments, excessive tax investigations, environmental regulations, and control of remittance to overseas. There is also the risk of unannounced policy changes or tax and environmental investigation on companies, causing them to go bankrupt even though they are still in the black. The Korean government and companies must have sufficient risk management and capital procurement capabilities in common, in advance.

In terms of cooperation with the international community, sometimes the appropriate cooperation with the third countries, such as Korea, provides a clue to solving these complex internal problems. Of course, for now, the idea that Russia will solve its own problems in cooperation with the outside world might sound a bit infeasible, and that such efforts could also be an ambiguous or abstract in long-term perspective. Nevertheless, in the process of establishing Korea-Russia economic cooperation and the excavation of new industries, there will be the possibility of bilateral policy cooperation, or at least to extract the momentum of new industries.

In terms of pioneering the Arctic route, the Korean government and companies are paying attention on linking the ports in Russia's Far East area. It aims to connect Korean ports to the Arctic routes, continental railways, and the Russia's Far East ports in a bid to strengthen its logistics and energy network. The main reason that the government was focusing on the marine aspect was because the logistics market was mostly through the port. Given that the Eurasian logistics market accounts for about 28% of the worldwide logistics market, and that it is growing

more than 11% annually, it is quite spontaneous that the region becomes the target of attention.

In this context, in order to expand exchanges between Korea and Russia related to the Arctic Sea Route, it is essential to establish a new bilateral normative system. This paper looks at the reality and prospect of the development of the Arctic Circle. Then, it moves to the review the bilateral international agreements that may be relevant to the Korea-Russia cooperation for the trade activities. The study finally seeks to derive legal challenges that could be discussed in the future, such as in the Korea-Russia Free Trade Agreement (FTA). The possible bilateral agreement can be used as a new legal infrastructure for their cooperation. However, it is hard to find the researches which have reviewed the legal challenges regarding this topic.

Theoretical-methodological bases of the article

With regard to the development of the Arctic Circle, the global interest in so-called Northern Sea Route (NSR) that runs through the Arctic Ocean, is also growing significantly. The NSR can be distinguished into the northwest one in the Canadian waters, linking North America and Europe, and the northeast one in Russian waters which links Asia and Europe (Yun 2009, 55). The Northeast route, especially, has the advantage that 1), is geographically shorter than the generally used current route, which connects East Asia and Europe through the Suez Canal and 2). Accordingly, it is able to greatly reduce the sailing days and logistics costs (Humpert & Raspotnik 2012, 281-283).

Now they are expecting to establish better legal environment for the cooperation, especially the Arctic Circle area or the NSR. Korea and Russia have often joined together in expanding multilateral treaties on the international stage while continuing their efforts on economic cooperation since the establishment of diplomatic ties. Although the multilateral international laws are important to the cooperation of the two partners, more direct legal infrastructures are still needed with the direct discussions and negotiations by the partner countries considering their own cooperation items. They have established the legal infrastructure relationship with many direct bilateral agreements for their economic cooperation. Now the partners are preparing the bilateral FTA for their cooperation.

Korea is focusing more on multilateral economic cooperation such as WTO, and also trying to establish preferential trade relations through FTAs.

The Korean government pursues diversification of trade and economic cooperation in international community while anticipating the improvement of trade environment by signing FTAs. At the same time, Korea is attempting to take advantage of FTAs to settle down its internal norms, to stabilize the Korean Peninsula, and to achieve non-economic purposes. So far, Korea has signed FTAs with various countries including the US, EU, China, ASEAN, India, and others.

Even after joining the WTO, Russia signed various FTAs with the Commonwealth of Independent States (CIS). Russia has maintained its long-standing economic dependence with these countries while providing special trade benefits through the FTAs, as well as strengthening its political influence based on this point. Furthermore, Russia has recently signed strategic FTAs with countries that do not belong to the CIS members, including Vietnam, to pursue diverse trade relations, economic benefits, and non-economic objectives. (Kim 2013, 12)

In order to establish the bilateral FTA relationship, suitable approaches must be considered by the partners. After the review of the previous rules on the related issues, they can do the discussion and negotiation works in right tracks. In particular, they should check various domestic and international legal challenges to the legal infrastructure building process. To this end, there should be legal discussions on a different level, more than simply securing the possibility and necessity of cooperation between Korea and Russia, and a cautious consideration of the FTA itself.

Although there are not many legal studies on the issue, Kim & Shin (2019) have recently conducted statistical analysis through institutional and government reports related with the Eurasian Economic Union (EAEU) and FTAs. Then, the research moved to the issues on the possibility of the Korea-EAEU FTA and finally proposed the FTA as the future way for the legal infrastructure on the Korea-Russia or the Korea-EAEU economic partnership. Based on the previous researches and theories, this study examines the more specific needs of the direct legal infrastructure in relation to the Arctic Circle area (or the NSR) and the legal challenges on the possible FTA.

Development of the Arctic Circle in Russia

Russia is being quite active in improving the innovative systems regarding the development and preservation of the Arctic Circle. Its move to introduce the 4th industrial revolution technology in the

Arctic cities and to build smart cities can be one of the representative cases. At the federal level, Russia has steadily tried to forge partnerships with foreign companies and to implement advanced technologies with the aim of the sustainable development of the Arctic Circle. Russia, for instance, has already begun building Smart City Systems in certain cities, including Vladivostok by introducing technology from Japan. Of course, it will take considerable time and effort to realize visible achievements throughout Russia's entire Arctic Circle, but in the long run, the Russian government is anticipating to phase the smart city systems in the population dropping areas.

Recently, the use of the Arctic routes for economic purposes has gained attention with the global warming due to climate change, the development of science, communication, and shipbuilding technologies, and the growing demand for logistics as the development goes on in the Arctic Circle. In particular, the use of NSR is expected to expand significantly as the climate change affected glaciers are shrinking and ice-breaking technology is developing. Therefore, many countries are using the route in a dramatic manner. (Park 2016, 29-30) Korea explored the Arctic route as well with the research purpose icebreaker Araon and now continues to build foundation for its commercial use.

Although Antarctica is the land that does not belong to any country under international law and is known as *Terrae Nulius*, the Arctic Circle is home to countries such as Russia and Canada. Therefore, when ships pass through the Arctic Ocean, consents from these countries are important. The Arctic Ocean however faces difficulties such as, since it is frozen even in the summer, sailing in this area definitely requires icebreakers, and especially in the winter time, the sailing speed has to be maintained at extremely low velocity. Because even icebreakers are not enough for ships to follow the route, newly designed vessels are needed. There are still unknown risks for navigation, weather, and so on as accurate data is hard to collect.

A case in point related to the development of Arctic Circle and Arctic Route is the 'Yamal LNG (Liquefied Natural Gas) Project' invested by France and China for a further step in Yamal Peninsula, Russia. The region has reserves of about 2.5 billion tons of oil and 3.5 billion tons of gas. The core of the project is to build logistic bases to transport the exploited resources to Europe and Far East Asia region. The copper mines in the Chukotka area and the construction of the Kamchatka LNG transshipment terminal are also linked to such projects. (Hodges, Shiryayevskaya & Khrennikova, 2018)

The development of the Arctic Circle will provide opportunities for related industries to grow together. For example, resource exploitation remains as a highly anticipated area despite concerns that it will create several environmental problems. Especially, the Plant market with direct links to the resource exploitation is growing rapidly. The Russian Plant market, which stood at around \$8.2 billion in 2000, had grown up to \$15.8 billion in 2010, nearly double the figure in a decade. The attraction power of the Russian Plant market comes from the possibility of combining the orders for plants with Korea's resource development.

Heavy Industries department of Samsung has supplied Sakhalin with the world's largest 33 story ocean platform "Runsko-A," and has won orders for three 70 million tons of icebreaker for the Arctic shipping line from Russia's largest state-run shipping company Sovcomflot. Daewoo Shipbuilding & Marine Engineering also participated in a project to modernize 'Zvezda dockyard', which is under Russia's state-run shipbuilding group 'United Shipbuilding Co.', located in the Bolshoi Kamen area near Vladivostok. Daewoo Shipbuilding & Marine Engineering is co-participating in the process of manufacturing LNG tankers, floating plants, and drilling vessels. The company won all 15 orders for the first "Yamal Project" in 2014, which is worth a total of \$4.8 billion.

This basically means that Korea's technology has opened the era of full-fledged LNG transportation to the Arctic and touched off for energy development in the region. For Russia, it has also been a trigger to have confidence in the development of Arctic energy and transport through the route. It is meaningful that the Yamal LNG project is carried out with the participation and support from foreign countries not only with Russia's own labor force, but also sustainably maintained under the economic sanctions. The project created momentum for Russia's development of the Arctic Circle, and gave Korea the motivation to participate in. (Kim 2017, 51-52)

The Russian government's interest in building smart cities in the Arctic region gives evidence for predicting the potential growth of related industries. This, of course, is fully linked to the companies' possibilities to participate. Many Korean companies already have information and communication technologies, along with accumulated experiences of applying them to smart city constructions. These related experiences by the companies are properly reflected in overseas construction sites, resulting successful smart city cases overseas.

The Russian government and society, however, have several challenges on the development of the Arctic Circle. For example, in the Arctic region there are ethnic minorities who have long lived on the ground, where the jurisdiction of the Russian federal government could not reach deep enough. These people are considerably vulnerable to changes in the environment and society following regional development. The challenges to care or control them internally are complicated tasks to find solutions even at the Russian Federation level.

Cooperation Possibility between Korea and Russia on the Arctic Route

As the development of the Arctic Circle goes active in the close future, it will ratchet the demand for ships and equipment up, which are needed for exploration and navigation of the route and mining, transport and storage of resources. Therefore, while investing in the development of related new materials and core technologies, Korea should attempt to hold joint research with Russian institutes and sustain the exchange. The climate change in the area and the deteriorated facilities are putting Russia's port infrastructure in urgent need. Approaching from the other side, it can be an opportunity for the Northeast Asian country to eagerly participate in modernizing the ports, reflecting the its own port development technology. (Jeh and Min 2014, 1-6)

The NSR has been commercially used in near 2010, which steadily increased the frequency from 41 times in 2011, 46 times in 2012, to 71 times in 2013. In 2017, 10.7 million tons of cargo were transported via the route, and even the 2018, the summer ship Maersk succeeded in navigating the first container ship, Venta Maersk, through the sea route without the assist of an icebreaker. Based on this route, Maersk has been considering to utilize this route through cooperating with a Russian icebreaker, however, it is still on the examination process of possible sailing days and the rising costs for breaking additional ice. (Baker 2019)

Bulk cargo is likely to be used early in the use of Arctic shipping routes, as long as the transport conditions are simple and the demands for specific goods are adequate. In the future, a direct transport demand for Arctic shipping routes to Northeast Asia will be generated in accordance with the exploitation of resources in the Arctic region, and natural gas and oil could flow in large scales into Japan, Korea and Taiwan through these routes. However, it is a mid-long-term consideration, since the typical container transport can only be carried out if it is

maintained sustainably. The global container shipping market is forming an economy of scale due to the growing size of ships. However, in the case of Arctic shipping routes, it is difficult to actually realize the economy of scale, because of the limited number of ships. Furthermore, as there is still a high risk, the economic feasibility is low due to the high insurance premium and navigation fee. (Park & Lee 2015, 244)

In 2010, the Korean government launched ‘Eurasia Initiative Project’, which encompasses Russia and Central Asia, as a way to unite the Eurasian continent into a single economic community and to build peace on the Korean Peninsula by inducing openness to North Korea. The Korea’s domestic interest in Russian Arctic region and Arctic routes has also increased in the context of this project. In particular, as the climate change accelerates, Korea is planning to expand logistic networks using sea routes by exploring the Arctic routes. In the case of land routes, it takes a considerable amount of time due to the railroad and the agreement between countries to transport, compared to the advantages of the sea route.

In September 2013, Hyundai Glovis succeeded in commercial pilot sailing of the Arctic route for the first time in Korea. In addition, the Korean government prepared the basis for reducing fees for using port facilities from January 2014 and attempted to expand infrastructure, including the personnel trainings for sailing in polar areas. Currently, there are a number of domestic studies going on, including the ones from Korea Polar Research Institute (KOPRI). Furthermore, in addition to the studies in science and technology, topics in the humanities and social sciences have been conducted recently. Through these studies, Korea will be able to analyze the various existing problems within the commercialization of Arctic routes and eventually find the solutions.

Necessity of a New Legal Foundation for the Economic Cooperation

The two partners signed bilateral treaties for continuing their direct cooperation. These treaties are mainly for investment, resource exploitation, transport, and etc., but also include promises of military and security. The major bilateral treaties signed between two since 2000 are as follows.

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Cooperation in the Fields of Energy (2000)

Agreement between the Government of the Republic of Korea and the Government of the Russian

Federation on the Mutual Protection of Classified Military Information (2001)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on the Prevention of Dangerous Military Activities (2003)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Cooperation on the Program of the Medium Range Surface-to-air Missile System (2005)

Air Service Agreement between the Government of the Republic of Korea and the Government of the Russian Federation (2003)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Cooperation in the Gas Industry (2006)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Technology Safeguards Associated with Cooperation in the Field of the Exploration and Use of Outer Space for Peaceful Purpose / Protocol to the Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Technology Safeguards Associated with Cooperation in the Field of the Exploration and Use of Outer Space for Peaceful Purpose of 17 October 2006 (2006)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Cooperation in Preventing Illegal, Unreported and Unregulated Fishing of Living Marine Resources (2009)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Temporary Labor Activities of Citizens of One State in the Territory of the Other State (2010)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Marine Transport (2010)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on the Mutual Abolition of Visa Requirements (2013)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on the Establishment and Operation of Cultural Centers (2013)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on Cooperation in the Field of Maritime Search and Rescue (2016)

Agreement between the Government of the Republic of Korea and the Government of the Russian Federation on the Establishment of the Direct Secure Communication System (2017).

Bilateral treaties between the two partners, signed since the 1990s, have largely provided disciplines on the cooperation. Among them, such treaties as the 'Agreement between the Government of the Republic of Korea and the Government of Russian Federation on Economic Cooperation in the Republic of Sakha (Yakutia) 1995' cover areas of the Arctic Circle. The treaties also create new usability with the recent Arctic region issues. The legal infrastructure for realizing a new level of cooperation is also necessary to consolidate and harmonize various bilateral agreements that have been signed so far to discipline various areas of the cooperation. (Kim 2015, 421)

Now we need to pay attention to the previous FTA that it has signed between Korea and many other countries. The FTA promises to remove trade barriers, including tariffs on trade between signatories, while the latest deal calls for the removal of passive trade barriers, as well as providing special trade benefits to the partner. In the end, the FTA has become the most leveraged legal base among various international economic treaties, which most WTO member countries also are using as well. FTA signatories are now fully committed to its original purpose – to provide special trade benefits for the economic sake of the partner, however, they are also used for non-economic purposes. In such cases, the FTA serves to broaden the areas of cooperation between the countries concerned and can be used for various other purposes. (Kim 2018, 79)

The more Korea continues to put in efforts to expand efficient economic cooperation and market openness by signing FTAs with major global countries, the more essential it becomes to settle a stable legal foundation. Furthermore, in the recent international community, such legal bases usually start from signing FTAs; Korea has signed numerous FTAs to expand trade and economic cooperation with various countries so far. As Russia also moves forward from emphasizing only the economic ties with the CIS countries, the possibility of an FTA with Korea has increased. The two partners already started the official talk on the FTA relation mainly in the investment area.

However, even if these two sides have the will to sign for the FTA, it cannot be actualized right away; in order to conclude the treaty, various proce-

dures such as investigation and negotiation are necessary. In particular, efforts are needed to build up the environment for the Korea-Russia FTA, while addressing various domestic and international legal challenges. To this end, there should be legal discussions on a different level, more than simply securing the possibility and necessity of cooperation between Korea and Russia, and a cautious consideration of the FTA itself.

The EAEU, a customs union that has Belarus, Kazakhstan, and Kyrgyzstan, was founded in response to EU which is more focused on the Western Europe. According to this economic community's agreement on the establishment, all the member states must be included in the treaty, so long as one of the member states is willing to sign any economic agreements, such as FTAs, with third countries. In the end, the 'Korea-Russia FTA' will be expanded to 'Korea-EAEU FTA' negotiations under the regulation. Korea has already experienced similar situation while pushing for the FTAs with EU and ASEAN. The question is whether the economic effectiveness of the FTA with EAEU members, not Russia, is sufficient to cover up the potential adverse effects. (Kim & Shin 2019, 20-21)

Changes in domestic laws in response to the FTA are also critical. There were progresses made in the domestic law, as several FTAs were signed, and a legal basis was prepared for consistency of policy through the enactment of the Trade Procedure Act. Now, domestic legal actions and FTA regulations are required to reflect technical development or industrial structure changes related to the development of the Arctic Circle. It is also necessary to define the grounds and principles for resolving issues of damage and compensation in traditional term which might be caused by the Korea-Russia FTA.

It is desirable to specify the principle of general compensation and the decision-making procedure in the implementation regulations to carry on the FTA. This is because in each situation where the affected industry has been specifically revealed, it will be politically sensitive to legislate compensation, and it may be difficult to secure the equity and objectivity. Only when these laws secure the neutrality of compensation and support and ensure the predictability, we can reduce the unconditional opposition on openness for the vulnerable industries. It is also necessary to stipulate that compensation and assistance should be made within the scope of the WTO subsidy agreement, so that it does not escalate into any trade dispute. Such details are also

noted in special laws such as the FTA Special Act on Support for Farming and Fishing and the Trade Adjustment Assistance Act.

The FTA can also contribute on the security issues regarding the Korean peninsula. Inter-Korean economic exchanges have a specialty which is somewhat different from transactions with other countries or within the domestic. Article 26 paragraph 1 of the Act on Inter-Korean Exchange and Cooperation states, “When it comes to trade, which is not specifically stipulated in this Act, it shall be governed by the Foreign Trade Act as provided under the Presidential Decree”. In paragraph 4, it notes “In compliance with other laws under the provisions of paragraphs 1 to 3, special cases may be set against them under the Presidential Decree”. In this sense, for the Korea-Russia FTA, it is suggested that the specialty of the inter-Korea exchange, which implies that Korea and Russia’s cooperation can have impact on peace for the Korean Peninsula.

Furthermore, it is also necessary for Korea to come up with a legal mechanism to recognize the granting preferential treatment through the FTA, considering its exchanges with the North as a special transaction within the nation – which is an exception to the principle of Most-Favored-Nation treatment in the WTO system. To this end, a special regional trade agreement can also be sought between the two Koreas on the basis of Article 9 paragraph 3 of WTO Agreement on Establishment. However, North Korea’s entry into WTO must be managed beforehand in order to conclude a trade agreement between the two Koreas and obtain approval within the WTO rules. Since it is difficult to expect North Korea to sign for WTO at present, it is required to enact declarations through domestic laws, including the Act on Inter-Korean Exchange and Cooperation regarding the special relations between the two Koreas. (Kim 2018, 179-182)

Conclusion

Korea and Russia have expanded various areas of economic cooperation since they established diplomatic ties in the 1990s. Investment and commodity trade between the two have grown significantly, that seeing Korean products in the Russian market became a more common daily thing. Now that the two countries are looking for a new model of cooperation, to achieve further development of Russian Arctic Circle, the source of new marketability. Both Korea and Russia will be able to share the goals of regional development and transportation efficiency and create new markets through the development of the area.

As seen above, the two countries are already actualizing cooperation in broad spectrum for the region. With the rapid exploitation of resources due to climate change and technological development, Korean companies have begun to bring the real economic benefits, having positive effects on related industries such as the construction of transport and special ships. However, since there are some according troublesome aspects, measures that can lead to sustainable development through the supplementation of relevant norms are critical. Russia is also aware of these problems in obtaining economic benefits in the future; cooperation between the two countries should be extended to sufficiently cover this point.

The provisions of international law related to the Arctic Circle are vague and does not encompass every area. In addition, when it comes to the national interests, many situations rise from areas where international and national laws are not clearly harmonized. This is why international community’s cooperation is essential; for example, there is a possibility of conflict between the international law regarding the Arctic shipping and domestic law of Russia. Therefore, efforts should be made to reflect the interests of both sides and to maintain economic benefits, in case Korea participates in Russia’s development of the area, as well as for the legal foundation to reduce negative issues.

There are many ways for realizing what are mentioned a forehand, but we can specifically propose a Korea-Russia FTA. In the process of pursuing it, the government should also consider various tasks, such as harmonizing with the FTAs Korea has been signing, and dealing with the domestic law in accordance with the new FTA, based on the previous experiences. From Russia’s point of view, special circumstances such as the EAEU should be taken in consideration. The two countries also have to conduct preemptive research on the efficient use of the FTA, which is the legal basis.

The process of signing the FTA, which will serve as the international legal basis for cooperation between the partners, should be clearly marked for the purpose of ‘Sustainable Arctic Development’. Furthermore, these propositions should be able to be digested in the process of utilizing FTAs and readjusting domestic and international regulations, as well as the joint respond to the emergence of new industries, markets, and even unforeseen issues. In Korea’s perspective, it should consider the possibility that the FTA could be used in non-economic areas such as on the Korean Peninsula issue.

References

- Baker, James. (2019) Maersk considers northern sea route service. *Lloyd's List*. 14 July.
- Hodges, Jeremy., Shiryayevskaya, Anna., Khrennikova, Dina. (2018) Melting Ice in the Arctic Is Opening a New Energy Trade Route. *Bloomberg*. 28 August.
- Humpert, Malte., Raspotnik, Andreas. (2012) The Future of Arctic Shipping Along the Transpolar Sea Route // *Arctic Yearbook*. -No.1. -p. 281-307.
- Jeh, Sung-Hoon., Min, Ji-Young. (2014) Russian Arctic Development Strategy and New Possibility for Korea-Russia Cooperation // *KIEP World Economy Update*. -Vol. 4. - No. 20.
- Kim, Bong-chul. (2013) Regional Trade Agreements of Korea and Russia-The Possibility of the Korea-Russia FTA // *The Korean Journal of Slavic Studies*.-Vol. 29. -No. 1.
- Kim, Bong-chul. (2015) The changes of Korean Domestic Laws with the FTA system // *Chonbuk Law Review*. -No. 44.
- Kim, Bong-chul. (2018) The Evolution of Korean FTAs and Rediscovery of the Legal Function // *The International Commerce & Law Review*. -No. 79.
- Kim, Bong-chul., Shin, Min-kyoung. (2019) The Prospect of the Korea-EAEU Cooperation based on the possible bilateral FTA // *KazNU BULLETIN. International relations and international law serie*. -Vol. 85. -No. 1.
- Kim, Sang-Won. (2017) Western Economic Sanctions and Russian Arctic Development: Focusing on Natural Gas // *Slav newspaper*.-Vol. 32. -No. 4.
- Park, Jong-Kwan. (2016) Russian Transport Logistics Development Strategy: Focusing on the 'Arctic Region' // *Slav newspaper*. -Vol. 30. -No. 1.
- Park, Jin-Hee., Lee, Min-Gyu. (2015) A Study on Competitiveness and Effect Analysis for Developing a Port Specialized in Northern Sea Route // *Journal of Navigation and Port Research*. -Vol. 39. -No. 3.
- Seidler, Christoph., *Arktisches Monopoly*. (2010) *Der Kampf um die Rohstoffe der Polarregion* (translated by Mihwa Park) -Seoul: The soup,. -356 p.
- Yun, Yeong-Mi. (2009) Strategy of Russian Marine Security over the North Pole Region: Focusing on the development of the Arctic Ocean and the Marine Cooperation between Korea and Russia on the North Pole // *East and West Studies*. -Vol. 21. -No. 2.