

**Bongchul Kim<sup>1</sup>, Minkyong Shin<sup>2</sup>**

<sup>1</sup>Doctor PhD, Professor, Hankuk University of Foreign Studies,  
Korea, Seoul, e-mail: bong625@hufs.ac.kr

<sup>2</sup>PhD student, Al-Farabi Kazakh National University,  
Kazakhstan, Almaty, e-mail: shinmink080956@gmail.com

**THE PROSPECT OF THE KOREA – EAEU COOPERATION BASED  
ON THE POSSIBLE BILATERAL FTA**

This research is about the importance of economic cooperation between Korea and Russia and furthermore between Korea and EAEU based on the possible bilateral FTA. Because of Western economic sanctions and international low oil prices, Russia suffered economic hardships. As a solution to this situation, Russia is seeking new economic partners in the Asia-Pacific region with a policy of New East Asia Policy. As a result, EAEU is moving not only to expand its membership but also to strengthen economic cooperation with countries in the Asia-Pacific area. Recently, Russia's economic relations with the Asia-Pacific region, which is leading the EAEU, have steadily developed. In the meanwhile, Korea is facing a number of challenges under escalating economic uncertainty around the world. Korea will need to diversify its partnerships with emerging economies and reduce its economic dependence on the Chinese market. In these days, the Free Trade Agreements (FTAs) became the most popular preferential law style in various types of international economic agreements. In 2016, Korea and EAEU completed a joint study on the feasibility of concluding a free trade agreement. The EAEU member countries have shared a common consensus on the need to promote industrial cooperation through the expansion of EAEU investment by Korean companies beyond the limits of traditional FTAs. However, in comparison with the necessity and importance of FTA negotiations between Korea and EAEU, there are relatively few studies and researchers on the field of economic cooperation between Korea and EAEU. This research contributes to suggest way to strengthen economic cooperation between Korea and EAEU countries. This paper starts from the basic explanations of information on the FTAs in Korea, Russia and the EAEU and analyses the current statuses of Korea and the EAEU economic cooperation. In order to carry out this research, the primary data such as documents related to the EAEU and the Intergovernmental Treaty Concerning the FTA were analysed. It also conducted statistical analysis through institutional and government reports related with EAEU and FTA.

**Key words:** Free Trade Agreement (FTA), Eurasian Economic Union (EAEU), Economic cooperation, Korea, Russia.

Ким Бонгчоль<sup>1</sup>, Шин Мингён<sup>2</sup>

<sup>1</sup>PhD докторы, профессор, Хангук шет тілдер университеті,  
Корея, Сеул қ., e-mail: bong625@hufs.ac.kr

<sup>2</sup>PhD докторанты, әл-Фараби атындағы Қазақ ұлттық университеті,  
Қазақстан, Алматы қ., e-mail: shinmink080956@gmail.com

**Екі жақты еркін сауда туралы келісім негізіндегі  
Корея мен ЕЭО арасындағы ынтымақтастық перспективасы**

Бұл зерттеу Корея мен Ресей арасындағы, сондай-ақ Корея мен ЕЭО арасындағы экономикалық ынтымақтастықтың маңызды екі жақты еркін сауда туралы келісім негізінде жүзеге асырылуының маңыздылығы туралы болды. Батыстың экономикалық санкцияларына және халықаралық мұнай бағасының төмендеуіне байланысты Ресей экономикалық қиындықтарға тап болды. Осы жағдайдан шығу үшін Ресей Жаңа-Шығыс Азия саясатымен Азия-Тынық мұхиты аймағында жаңа экономикалық серіктестер іздейді. Нәтижесінде ЕЭО мүшелікті кеңейтуге ғана емес, сондай-ақ Азия-Тынық мұхит аймағындағы елдермен экономикалық ынтымақтастықты

нығайтуға да ұмтылады. Соңғы уақытта Ресейдің ЕЭО басқаратын Азия-Тынық мұхиты аймағымен экономикалық байланыстары тұрақты дамып келеді. Сонымен бірге, Корея әлемдегі экономикалық белгісіздікке қарамастан бірқатар қиындықтарға тап болады. Корея дамушы елдермен серіктестікті әртараптандыруға және Қытай нарығына экономикалық тәуелділікті төмендетуге тура келеді. Бүгінгі күні еркін сауда келісімдері (FTA) халықаралық экономикалық келісімдердің әртүрлі түрлерінде ең танымалы заңгерлік стилі болды. 2016 жылы Корея мен ЕЭО еркін сауда туралы келісім жасасу туралы бірлескен зерттеуді аяқтады. ЕЭО-ға мүше елдер дәстүрлі ЕСК-н қоспағанда, корейлық компаниялардың ЕЭО-ға инвестицияларын кеңейту арқылы өнеркәсіптік ынтымақтастықты дамыту қажеттілігі туралы ортақ пікірге келді. Алайда, Корея мен ЕЭО арасындағы еркін сауда келіссөздерінің қажеттілігі мен маңыздылығымен қатар, Корея мен ЕЭО арасындағы экономикалық ынтымақтастық саласындағы салыстырмалы түрдегі зерттеулер өте аз. Бұл зерттеу Корея мен ЕЭО елдерінің арасындағы экономикалық ынтымақтастықты нығайту жолдарын ұсынуға көмектеседі. Бұл құжат Корея, Ресей және ЕЭО арасындағы еркін сауда туралы келісімдер туралы негізгі түсініктемеден басталады және Кореяның қазіргі жағдайын және Еуразиялық экономикалық қоғамдастықтың экономикалық ынтымақтастығын талдайды. Зерттеу барысында ЕЭО мен Үкіметтік Келісімге қатысты құжаттар сияқты бастапқы деректер талданды. Сондай-ақ ол ЕЭО мен ЕСК туралы ведомстволық және үкіметтік есептер шеңберінде статистикалық талдау жасады.

**Түйін сөздер:** Еркін сауда келісімі, Еуразиялық экономикалық одақ (ЕЭО), экономикалық ынтымақтастық, Корея, Ресей.

Ким Бонгчол<sup>1</sup>, Шин Мингён<sup>2</sup>

<sup>1</sup>доктор PhD, профессор, Университет иностранных языков Хангук,  
Корея, г. Сеул, e-mail: bong625@hufs.ac.kr

<sup>2</sup>PhD докторант, Казахский национальный университет имени аль-Фараби,  
Казахстан, г. Алматы, e-mail: shinmink080956@gmail.com

### **Перспективы сотрудничества Корея-ЕАЭС на основе возможного двустороннего ССТ (Соглашения о свободной торговле)**

В данной работе выявлены важности экономического сотрудничества между Кореей и Россией, а также между Кореей и ЕАЭС на основе возможного двустороннего ССТ. Из-за западных экономических санкций и низких мировых цен на нефть Россия испытывала экономические трудности. В качестве выхода из сложившейся ситуации Россия ищет новых экономических партнеров в Азиатско-Тихоокеанском регионе с политикой Новой Восточноазиатской Политики. Вследствие этого, ЕАЭС движется не только к расширению членства, но и к укреплению экономического сотрудничества со странами Азиатско-Тихоокеанского региона. В последнее время устойчиво развиваются экономические отношения России с Азиатско-Тихоокеанским регионом, которые являются главными в деятельности в ЕАЭС. В то же время Корея сталкивается с рядом проблем в условиях эскалации экономической неопределенности во всем мире. Корея необходимо будет диверсифицировать свои партнерские отношения с развивающимися странами и уменьшить свою экономическую зависимость от китайского рынка. В эти дни соглашения о свободной торговле (ССТ) стали наиболее популярным стилем преференциального права в различных видах международных экономических соглашений. В 2016 году Корея и ЕАЭС завершили совместное исследование о целесообразности заключения соглашения о свободной торговле. Страны-члены ЕАЭС пришли к единому мнению о необходимости развития промышленной кооперации путем расширения инвестиций корейских компаний в ЕАЭС за пределы традиционных ССТ. Однако, по сравнению с необходимостью и важностью переговоров о ССТ между Кореей и ЕАЭС, исследований и исследователей в области экономического сотрудничества между Кореей и ЕАЭС относительно немного. Данное исследование позволяет предложить пути укрепления экономического сотрудничества между Кореей и странами ЕАЭС. Данная статья начинается с основных разъяснений информации о ССТ в Корею, России и ЕАЭС и анализирует текущие статусы Кореи и экономического сотрудничества ЕАЭС. Для проведения данного исследования были проанализированы первичные данные, такие как документы, связанные с ЕАЭС и межправительственным Договором о ССТ. Также был проведен статистический анализ через институциональные и правительственные отчеты, связанные с ЕАЭС и ЗСТ.

**Ключевые слова:** Соглашение о свободной торговле (ССТ), Евразийский экономический союз (ЕАЭС), экономическое сотрудничество, Корея, Россия.

## Introduction

Although the Multilateral system are still fundamental (The main ideas of a multilateral economic laws normally based on the principle of non-discrimination, all members of a laws are bound to grant as favourable treatment to each other as they give to any other member, for example, Most Favoured Nation (MFN) status), the Preferentialism is prominent in the economic structure of the international community. Many parts of economic cooperation are recently performed under the Preferential Trade Agreements (PTAs) these days. PTAs can be defined here in accordance with the terms of the WTO as 'trade agreements between two or more customs territories where the trade barriers are reduced or eliminated.' It may provide preferable treatment to the partner countries than third countries (Discriminatory liberalisation might be attractive for countries that seek to reap gains from trade in product areas where they cannot compete internationally).

The Free Trade Agreements (FTAs) became the most popular preferential law style in various types of international economic agreements. Although many of the FTA issues are still concentrated in the economic field, some FTA partners are also developing new functions in their international laws for non-economic field. With such aspect, the international laws can work as an important new engine to boost further cooperation between partners, eventually expanding the topics.

Korea basically has joined many types of multilateral economic agreements. Then, this small country also made several FTAs with its major economic partners since 2000s. Although Russia has a good position to start the role in the WTO rules, the state is still in favour of preferential system. Many Russian FTA partners were mainly CIS members or other neighbours such as Kazakhstan. EAEU is one of the major preferential economic cooperation system in the area. Russia may take non-CIS or neighbouring partners for their FTAs such as Korea.

Established in January 2015, the Eurasian Economic Union (EAEU) set a grand vision to create a «Eurasian Union» resembling the European Union by 2025 through a multi-stage integration plan. The EAEU consists of five countries – Russia, Kazakhstan, Belarus, Kyrgyz Republic and Armenia – with 180 million people and a combined GDP of 1.48 trillion dollars. Currently, free movement of goods, services, capital and labour is guaranteed within the region. The members of the EAEU are planning to integrate the drugs and medical market by 2017, the electric power market by 2019, and the oil and gas

market by 2025. EAEU membership is expected to expand, namely with the accession of Tajikistan, and the scope of partnership is also likely to extend out toward the APEC region.

The world powers such as China, the United States, and Europe are paying attention to the economic value of the EAEU market. Korea's nearest neighbour, China, is promoting economic cooperation and investment with the EAEU countries through the Silk Road Economic Belt policy. Previous research on economic cooperation and integration between China and EAEU has also been carried out steadily like «Central and Eastern Europe in Building the Silk Road Economic Belt» (Liu, 2014), «The Eurasian Economic Union and the Silk Road Economic Belt» (Gussarova, Aminjonov, Khon, 2017) and «China's belt and road initiative and the Eurasian economic union: integrating the integrations» (Svetlicinii, 2018). In consequence of these kinds of efforts as part of the Astana Economic Forum, representatives of the EAEU and China signed an agreement on trade and economic cooperation on May 17 2018. The document sets a high standard of regulation in various fields such as facilitation of the international trade procedures as well as protection of intellectual property rights. The priority cooperation areas are agriculture, energy, transport, information technology infrastructure and financial sector. The Chinese partners were offered 40 projects related to the transport industry.

In the meanwhile, Korea is facing a number of challenges under escalating economic uncertainty around the world. Protectionism in trade is spreading worldwide with the launch of the Trump administration, and China has engaged in economic against the deployment of a THAAD missile system in Korea. In addition, Korea has to escape from the geographical isolation imposed by the division of the Korean Peninsula. Responding to these developments, Korea will need to diversify its partnerships with emerging economies. Strengthening cooperation with the northern Eurasian countries, and securing new economic growth engines to replace old ones, will be a way for Korea to overcome the current challenges. Indeed, the EAEU can be an attractive partner as a window of new economic cooperation in developing future-oriented relations between Korea and the northern Eurasian countries.

In 2016, Korea and EAEU completed a joint study on the feasibility of concluding a free trade agreement (FTA). The EAEU member countries have shared a common consensus on the need to promote industrial cooperation through the expansion of EAEU investment by Korean companies be-

yond the limits of traditional FTAs. For this reason, it is even more important that Korea conducts in-depth studies to find ways to strengthen economic cooperation with Russia and other EAEU countries. Therefore, KOTRA (Korea Trade-Investment Promotion Agency) is constantly analysing CIS market and updating market reports like «2015 the market entry strategy: CIS Region», «Current state and market entry strategy of CIS large-scale distribution», «Progress and prospects of the Korea-EU FTA conclusion», «Expansion of Eurasian Economic Cooperation and Korea's Investment and Trade Strategy», etc. to help Korean companies who want to enter CIS markets.

However, in comparison with the necessity and importance of FTA negotiations between Korea and EAEU, there are relatively few studies and researchers on the field of economic cooperation between Korea and EAEU. This paper starts from the basic explanations of information on the FTAs in Korea, Russia and the EAEU and analyses the current statuses of Korea and the EAEU economic cooperation. It investigates the economic relationship among the countries and discusses how we can continue to improve the economic relationship by reviewing the policies toward each other. Then, it moves to the issues on the possibility of the Korea-EAEU FTA. The proposals or some hints for the FTA are provided as the final step in the study.

In order to carry out this research, the primary data such as documents related to the EAEU and the Intergovernmental Treaty Concerning the FTA were analysed. It also conducted statistical analysis through institutional and government reports related with EAEU and FTA.

### **Korean FTAs**

Many countries can use PTAs as a vehicle for promoting deeper integration of their economies. This deeper integration covers PTA provisions dealing with product and market regulations such as standards and competition policies, environment and labour. Furthermore, it reaches the area of property rights such as protection of intellectual property, other intangible assets as well as physical and financial investments. Particularly with regards to trade in services, preferential access by an PTA may enable a supplier to steal an irreversible march on the competition.

The Asian Financial Crisis in the late 1990s provided the momentum to promote PTAs in Korea. The country intended to utilise the preferential rules in promoting qualitative growth of their eco-

nomical system. Therefore, the government expected that their PTAs could be used as the 'legal infrastructures' for their recovery from the crisis with the systemic reforms including the domestic economic rules. In fact, they have improved many types of domestic laws following the international standards with their PTAs. The country has established many FTA relations as their PTAs with various partners such as Chile, Singapore, EFTA, EU, ASEAN, India, Peru, Colombia, Turkey, the US and Australia, New Zealand, Vietnam and even China.

The Korea-Chile FTA is the first FTA for Korea in 2002. The road toward an FTA taught Korea some hard lessons. On the one hand, the government faced domestic opposition and on the other, it had to resolve issues of disagreement with the counterpart country. In preparing for a future FTA, it is important to gain a thorough understanding of the Korea-Chile FTA process, and the problems it faced from inception to its conclusion (Chung, 2003). Then Korea expected that the Korea-Singapore FTA can strengthen the foundation for Korean industries to make inroads into the East Asians markets (Moreover, Singapore is an international hub for business, finance and distribution and is increasingly becoming a target investment country for multinational companies).

The Korea-ASEAN FTA consists of four parts including Framework Agreement and Trade in Goods. The FTA created a strategic coalition that can mitigate any adverse effects arising from the acute China-Japan rivalry in the Southeast Asian region. The Korea-ASEAN FTA created a strategic coalition that can mitigate any adverse effects arising from the acute China-Japan rivalry in the ASEAN market. Furthermore, the FTA is enabling both economies to reform their agricultural and industrial sectors. The partners believe that the FTA can be useful as the legal infrastructure for their economic benefits and even other cooperation.

The Korea-US FTA concluded in 2007 (Although the FTA has been completed and enjoyed strong support from business in both countries, the ratification debate in the two countries was contentious) (Lee, 2007). However, it is controversial because the reforms required by the FTA will increase competition for the firms, workers and farmers of Korea and the US and thus will require adjustment (Jeffrey, 2007). The Korea-US FTA drew mixed reactions from the big competitors in the international economic stage. The FTA may give a boost to Korea's credit rating and a competitive advantage over China and Japan (Klinger, Kim, 2007). The Korea-US FTA also accelerated the Korea-EU FTA negotiations.

## Russian PTAs

Russia has bilateral FTAs on trade with most CIS countries. Furthermore, Russia is a party to several regional arrangements in the Post-Soviet space. Russia has signed bilateral FTAs with many CIS states such as Azerbaijan, Kazakhstan, Uzbekistan, Armenia, Kyrgyzstan, Moldova, Ukraine and Georgia (Russia suspended Ukraine's status beginning on January 1, 2016.). The Russia-Belarus relation was the deepest bilateral integration. After the creation of an Economic and Monetary Union, they decided to proceed further and a Russian-Belarusian agreement on integration was signed (The agreements call for the creation of a common economic sphere, with a common currency and a unified tariff and trade policies in the future) (Roberts, Wehrheim, 2001).

The Eurasian Economic Community (EurAsEC) agreement was made by Belarus, Kazakhstan, Kyrgyzstan, Russia, and Tajikistan in 2000. The creation of a common economic space between the CIS countries of Russia, Ukraine, Belarus, and Kazakhstan was created in 2003 and they signed the Agreement on the formation of a Single Economic Space (The Concept of this single economic space is similar to the EurAsEC).

The Russia-Serbia FTA has made Serbia particularly attractive to foreign investors and manufacturers since 2000. The list of products not covered by the duty free agreement is updated annually. The FTA amended in 2009 and the list of items excluded from free trade regime was further modified. The accord is the first such agreement Russia has signed with any country outside the CIS. It can be said that Black Sea Economic Cooperation (BSEC) is the largest and strongest PTA among the Russia's cross-regional PTA. Russia also signed the FTA with Vietnam in 2015.

The regional countries discussed how to create an area where persons, capital and goods would move freely, where initiatives for cooperation would come from down to upwards vertically rather than vice versa, thus the area allows roles for states as arranging the legal framework for such cooperation. Russia should pursue its policy of following the WTO rules. Concerning the PTAs, the best option for Russia is to try and build its own regional economic bloc that would be made out of the willing CIS member countries. Their sheer sizes make this strategy the only possible option in the near future.

## EAEU

Russia, Belarus and Kazakhstan signed an agreement forming a customs union, the ultimate

goal being to create a single common market. The Eurasian Economic Union (EAEU) was launched in 2015, which incorporates the regulations previously set forth in the Russia-Kazakhstan-Belarus Customs Union. The accession of Armenia and Kyrgyzstan into the EAEU came into force in 2015.

Established in January 2015, the Eurasian Economic Union (EAEU) set a grand vision to create a «Eurasian Union» resembling the European Union by 2025 through a multi-stage integration plan. The EAEU, like the European Union, is designed to develop the degree of economic integration at a very high level. The EAEU consists of five countries – Russia, Kazakhstan, Belarus, Kyrgyz Republic and Armenia – with 180 million people and a combined GDP of 1.48 trillion dollars. Currently, free movement of goods, services, capital and labour is guaranteed within the region. The members of the EAEU are planning to integrate the drugs and medical market by 2017, the electric power market by 2019, and the oil and gas market by 2025.

Since the launch of Putin's third term in 2012, Russia's New East Asia Policy has accelerated, and EAEU is moving not only to expand its membership but also to strengthen economic cooperation with countries in the Asia-Pacific area (Park, 2013). Recently, Russia's economic relations with the Asia-Pacific region, which is leading the EAEU, have steadily developed. Until the mid-2000s, Russia's foreign trade was highly dependent on Europe, but the proportion of foreign trade with the Asia-Pacific region increased sharply as the Putin government actively promoted the New East Asia Policy. As shown in [Figure 1], while the share of Europe in foreign trade in Russia decreased from 54.3% to 42.7% in 2006~18, the share of APEC steadily increased from 17.1% to 31.0%. The trend is expected to continue.

President Putin presented a grand idea of the creation of a large economic community linking EAEU, the Shanghai Cooperation Organization (SCO) and ASEAN (Association of South East Asian Nations) in his annual speech on December 4, 2015. Furthermore, he proposed that Russia and EAEU should establish a **Greater Eurasia or Greater Eurasian Partnership** relationship with China, India, Pakistan, the CIS and several other countries at the speech of the General Assembly of the International Economic Forum in St Petersburg (SPIEF2016) in June 2016.

As mentioned above, Putin wants to expand the scope of SCO, including India, Pakistan and Iran based on strategic cooperation with China. On the other hand, he has a policy of expanding and developing the concept of cooperation with the Eurasia

based on EAEU. In the process, the role and presence of EAEU led by Russia in the Asia-Pacific region including Northeast Asia will be strengthened steadily.

Meanwhile, the EAEU is planning to expand its membership to other countries such as Tajikistan in the former Soviet Union, and has signed an FTA with other countries and regions to strengthen its integration with the world economy. Since EAEU signed an FTA agreement with Vietnam in May 2015, the EAEU intends to develop economic cooperation with ASEAN and other Asian countries. Moreover, agreement on trade and economic coop-

eration between the EAEU and China was signed on May 17 2018 within the framework of the Astana Economic Forum. It is currently discussing the signing of a free trade agreement with Egypt, Cambodia, India, Peru and Chile, and discussions are under way to conclude an FTA with ASEAN, which includes Vietnam. Mongolia and Singapore are in the process of joint research on the feasibility of the FTA and completed joint research with Korea in 2016. In addition, Syria, Pakistan, Jordan, Albania and Serbia are considering the promotion. EAEU's global economic integration is expected to accelerate in the future.

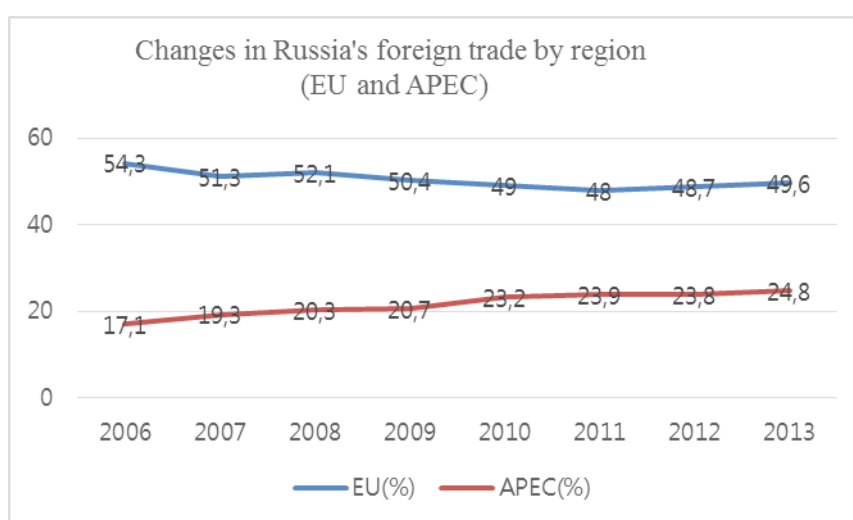


Figure 1

Source: Russian Federal Customs Service, <http://www.customs.ru>

### Korea-EAEU economic cooperation status (Focusing on trade section)

On November 27, Seoul hosted the meeting, where the Minister for Trade of the Eurasian Economic Commission Andrey Slepnev and the Minister for Commerce, Industry and Energy of the Republic of Korea Yoon Sang-jick have signed a Memorandum of Cooperation between the Eurasian Economic Union (EAEU) and the Republic of Korea.

In 2016, Korea and EAEU completed a joint study on the feasibility of concluding a free trade agreement (FTA). The EAEU member countries have shared a common consensus on the need to promote industrial cooperation through the expansion of EAEU investment by Korean companies beyond the limits of traditional FTAs. For this reason, it is even more important that Korea conducts in-depth studies to find ways to strengthen economic

cooperation with Russia and other EAEU countries.

Economic cooperation between Korea and EAEU member countries has been growing for the past 20 years but has not yet reached the potential. Economic cooperation with Russia is relatively active among the five EAEU member countries, but trade relations between the two countries have decreased markedly since 2014.

In the same vein, trade relations between Korea and EAEU fell sharply after peaking in 2014. This is mainly due to the economic downturn in Russia due to low oil prices and western sanctions in 2014. As Russia underwent a recession, the economies of the EAEU member countries, which have close economic relations with Russia, became difficult, and the amount of trade between Korea and the EAEU member countries was greatly reduced. Table 1 below summarizes Korea's EAEU Trade Status in 2016.

**Table 1** – Korea's EAEU Trade Status in 2016 (\$ 1,000 per unit, %)

Ranking	Country	Export amount	Amount of income	Aamount of trade	Ratio of trade
15	Russia	4,768,751	8,640,613	13,409,364	1.487
77	Kazakhstan	364,129	285,295	649,424	0.072
135	Belarus	28,469	37,163	65,632	0.007
136	Kyrgyzstan	63,763	556	64,319	0.007
178	Armenia	7,457	3,733	11,190	0.001
	World	495,425,940	406,192,887	901,618,827	

In the trade between Korea and EAEU, Russia occupies a very high share of 93 ~ 94%. Russia mainly exports energy resources such as petroleum, petroleum products, natural gas, coal, and LNG, and the share of raw materials in total exports is 34.3% and imports pharmaceuticals, transmission equipment, aircraft, automobiles, and digital automatic data processing equipment. Korea's major export items to Russia in 2016 include railway or track vehicles, related parts, boilers and machinery and related parts, electrical equipment, plastics, steel products, rubber, optics, metal, etc. Korea's major import items from Russia are mainly energy, marine products, steel, aluminium, metals and non-metallic mineral resources, and precious metals.

Among EAEU member states, Kazakhstan is the second largest economic partner of Korea after Russia. Since 1992, trade between Korea and Kazakhstan has been on the rise. The trade volume between the two countries reached a peak of about 1.47 billion dollars in 2014, but after that, the amount of trade declined due to the low oil prices and deterioration of the Russian economy. Korea has continued to trade surplus with Kazakhstan since 1997, except for 2008. Major export items of Korea to Kazakhstan include steel products, boilers and machinery, electrical equipment, railway and track vehicles and related parts, chemical industrial products, plastics, optical instruments and building materials. Korea's major imports from Kazakhstan mainly consist of raw materials such as steel, metal and non-metal minerals, and plant seeds.

Korea is active in trade with the Kyrgyzstan, which is relatively geographically closer than Armenia and Belarus. Trade between Korea and the Kyrgyzstan began in 1992, and Korea has been consistently dominating the Kyrgyzstan and trade since 1994. The trade volume between the two countries increased rapidly in the 2000s and peaked at about \$ 164 million in 2013. Since then, Kyrgyzstan has been experiencing a slowdown due to the deteriora-

tion of the Russian economy and has experienced a decline in trade with South Korea as well as a decrease in total trade.

Major export items of Korea to Kyrgyzstan are light industry products and machinery such as textile, railway or track vehicles and related parts, boilers and machinery, tobacco, plastic, cosmetics and human hair products. The main import items of Korea from Kyrgyzstan consist of agriculture products and their processed products, electric appliances, mainly agricultural products and manufactured goods.

#### **The Future way for the Korea-EAEU economic partnership with the PTA talks**

The goals of the Russian economic policy are to establish a diversified new economy through the development of competitive industries, progression of the services industry, and enhancement of the effectiveness of agriculture. The government hopes to expand economic cooperation with Northeast Asian countries for the goals. Russia also expects the cooperation of Northeast Asian countries in developing resources and marine routes in its polar regions (Vladimir, 12).

This situation can provide an opportunity for Korea. There is a need to focus on the technology-related industries that the Russian government plans to strategically develop. Manufacturing-related industries such as the automobile, ICT, and shipbuilding industries which Russia has focused on in terms of development and medical services industries can be regarded as promising fields in terms of the possible cooperation.

The Russian government has recently made efforts to develop industrial clusters as a part of its innovative policy. Consequently, Korea's own experiences establishing industrial clusters can serve as a useful tool for fostering Korea-Russia industrial cooperation. Sharing Korea's policy experiences and

successful cases of regional and sectoral industrial clusters with Russia as a part of inter-government and local government exchanges can help induce the expansion of economic cooperation in terms of projects such as the establishment of infrastructure and related services industry.

As we have seen, mutual trade and investment cooperation between Korea and EAEU has been relatively steady, except for temporary slowdown due to the global financial crisis that occurred in the second half of 2008. However, the trade between Korea and EAEU peaked in 2014 and continued to decline until 2016. The reasons for the recent trade decline between Korea and EAEU are as follows. First, Russia accounts for more than 90% of Korea's EAEU trade. In the wake of the Russian Crimean peninsula merger in early 2014, Western economic sanctions and international low oil prices have drastically reduced South Korea's trade in the real world, which has naturally reduced trade with the EAEU (KOTRA, 2018). **Another cause of trade decline** is found in the monotonous trade structure. In other words, when we look at the import and export items between Korea and EAEU member countries, there is a tendency to focus on some items. Especially, these characteristics are stronger in Korea's major EAEU import items centering on raw materials or mineral fuels, which implies that obstacles can arise in forming a complementary cooperation relationship between the two industries. In order to escape from this situation, Korea should expand its trade with EAEU and diversify its trade structure (Lee, 2015).

There is a high expectation for a win-win outcome of the partnership between the two partners Korea and EAEU. By understanding the situations and policies of the countries, the Korean government needs to cope with finding substantial and realistic measures such as partnership for developing the Far East rather than a rapid change in policies. Especially, EAEU member including Russia is likely to seek and pursue 'EAEU-South Korea-North Korea economic cooperation not only for practical profit but also for political influence. It is expected that EAEU member countries such as Russia and Kazakhstan will reinforce cooperation within the area to develop their economy gradually.

### Concluding remarks

After Russia's joining the WTO, it is carefully expected that Korea and Russia can start the talk on the bilateral FTA (Korea and Russia established the joint research group to conclude the BEPA (Bilateral

Economic Partnership Agreement) in 2007. However, it had stopped due to different points). They can prepare a base for stable economic cooperation with the FTA. In addition, Korea can expand its market to CIS with the FTA. Korea will take good opportunities to expand agricultural sectors and enhance food security by investing agricultural infrastructure. The Russian government concentrates on economic development in Far East area and established Department of Far East Development under its federal government (Chung, 2012).

The discussion on the Korea-Russia FTA is naturally the topic of the Korea-EAEU FTA talk. Russia is a member of the EAEU and the other EAEU members can make more benefits from the goal of the FTA considering the recent economic relationship with Korea. According to the rules of the EAEU agreement, the economic bloc must establish the preferential economic cooperation system with a third country for the benefits of whole members.

Korea expects a deeper relationship with the EAEU members regarding not only economic matters but also political issues. Since Korea imports almost all the natural resources and Russia is one of the main resource exporting countries, these two countries needs are closely met. At the same time, surrounding Korean Peninsula, the political issue, especially the North Korean nuclear issue, may affect the relationship between Korea and Russia.

The Korea-EAEU FTA has enough possibilities. The FTA can build better economic relations with many benefits to the parties. Furthermore, the FTA relation will provide huge impact to the political situations in Korean peninsula and the Far East area. However, the partners must consider some points for more effective FTA and their cooperation. Sometimes, the points are related to the sensitive fields.

Although trade and investment cooperation between Korea and EAEU has decreased in recent years, it is expected to expand gradually in the future. First, as international energy prices have stabilized recently, the economies of Russia, Kazakhstan and other EAEU countries are expected to show a recovery. Recently, the foreign trade of EAEU, led by Russia, has gradually increased its share with Asia Pacific countries. In addition, after the EAEU entered into a Free Trade Agreement (FTA) with Vietnam in October 2016, it is expected to expand trade between Korea and EAEU as it is expanding to ASEAN. Therefore, Korea needs to strategically expand and strengthen economic cooperation with EAEU through institutional and environmental



foundation at the government level and prepare for international flow.

In addition, in order to promote economic cooperation between Korea and EEAU, it is important to establish an environmental basis for the conclusion of the Korea-EAEU Free Trade Agreement (FTA). If Korea concludes an FTA with EAEU, which Russia plays a pivotal role, it will not only form a new

strategic cooperation relationship with the Eurasian value chain system, but will also contribute to the creation of a new Eurasian growth space. In other words, the Korea-EEA FTA will become a window of opportunity to advance into the Asia-Pacific region of EAEU countries, including Russia, and will be a window of opportunity for Korea to enter the Eurasian region.

## References

- Anna Gussarova, Farkhod Aminjonov, Yevgeniy Khon. (2017) The Eurasian Economic Union and the Silk Road Economic Belt. Central Asia Institute for Strategic Studies, THE EEU & THE SREB. // <https://library.fes.de/pdf-files/bueros/kasachstan/13620.pdf>
- Annual data of Russian foreign trade by regions, Official site: Таможенная Служба России [Russian Federal Customs Service], <http://www.customs.ru>.
- Balassa, B. (1961). The Theory of Economic Integration. Illinois: Richard D. Irwin.
- Bongchul Kim and Ho Kim. (2014). Analysis and Proposals to the Laws in the Kaesong Industrial Complex: For Better Regulations under New Environments on the Korean Peninsula, Korean National Commission for UNESCO, Korea Journal, vol. 54, no. 4.
- Bongchul Kim. (2015). Establishments of the Legal Infrastructure for the Korea-Siberian Economic Cooperation: Focusing on the Republic of Sakha (Yakutia) case, International Information Institute, Information Journal vol. 18, no.1.
- Bongchul Kim. (April 2006). Trade Remedy Rules in Regional Trade Agreements. Trade Remedy Review, Vol. 22, Korea Trade Commission.
- Bruce Klinger and Anthony B. Kim. (2007). The U.S.-South Korea FTA: A Defining Moment; The Heritage Foundation, <http://www.heritage.org/Research/AsiaandthePacific/wm1413.cfm>
- Chang-Hyun Park. (2008). The Role of the National Assembly in the Process of Trade Negotiation. Korea Legislation Research Institute.
- Data of Korean Trade Association, Official site: Korean Trade Association, <http://stat.kita.net>.
- e-Kiet Industrial Economic Information no. 534.
- Ernst & Young. (2013). «An overview of the Russian and CIS automotive industry.»
- Eunsuk Chung. (2012). The 3<sup>rd</sup> Putin presidency and S. Korea-Russia relations, Jeongse & Jeongchack.
- European Commission. (2008). «The economic aspects of the energy sector in CIS countries.» Center for Social and Economic Research, European Commission Economic Papers 327.
- Faye, M. L., McArthur, J. W., Sachs, J. D., and Snow, T. (2004) «The Challenges Facing Landlocked Developing Countries.» Journal of Human Development, Vol. 5, No. 1.
- Hae-kwan Chung. (2003). The Korea-Chile FTA: Significance and Implications, The Institute for East Asian Studies East Asian Review, vol. 15.
- Jae Young Lee, Chul Won Lee, Min Ji Young. (2017) Investment Environment of Eurasian Economic Union and Korea's entry strategy. Korea Institute for International Economic Policy, In-depth study of strategic areas 17-01
- Jeffrey J. Schott. (2007). The Korea-US Free Trade Agreement: A Summary Assessment, Policy Brief, Peterson Institute for International Economics, no. PB07-7.
- KIDMAC, <http://www.kidmac.com>.
- KOTRA. (2013). CIS 대형유통 현황 및 진출방안 [Status of CIS large distribution and progression plan]. Global Market Report 13-045.
- KOTRA. (2018). 2018 역별 시장진출 전략: CIS 지역 [2018 Market Entry Strategy by Region: CIS Region]. KOTRA 17-132.
- Krugman, P. (1998). «What's new about the new economic geography?» Oxford Review of Economic Policy, Vol. 14, No. 2.
- Lane, D. (2014). «Eurasian Integration: A Viable New Regionalism?» Russian Analytical Digest No. 146.
- Lee Jae-young. (2015). Evaluation of Korea-Russia Economic Cooperation and Mid- to Long-Term Vision.
- Liu Z. (2014). Central and Eastern Europe in Building the Silk Road Economic Belt. Working Paper Series on European Studies, Institute of European Studies, Chinese Academy of Social Science, vol. 8, no 3.
- Michael Roberts and Peter Wehrheim. (2001). Regional Trade Agreements and WTO Accession of CIS Countries, Intereconomics.
- Park Ji-won. (2013). CIS 경제통합에서 러시아의 역할 : 개발도상국간 경제협력에서 강대국의 경제적 구심력 [Russia's role in CIS economic integration: Economic centripetal force of a great power in developing countries' economic cooperation]. Slave newspaper, vol. 28, no. 1.
- Svetlicinii, A. (2018). China's Belt and Road Initiative and the Eurasian Economic Union: Integrating the Integrations. Public Administration Issues, Special Issue (electronic edition), pp. 7–20.
- The EAEU and South Korea Have Signed a Memorandum of Cooperation. (11.30.2015) Official site : Eurasian Economic Commission // <http://www.eurasiancommission.org>.
- Vladimir Putin. (2012). On our economic tasks, Vedomosti Newspaper.
- Yong-Shik Lee. (2007). The Beginning of Economic Integration between East Asia and North America?-Forming the Third Largest Free Trade Area between the United States and the Republic of Korea, Journal of World Trade, vol. 41, Issue 5.