
This collective monograph is a result of collaboration between experts from Russia, Republic of Korea, Japan and other countries in the study of Russia-South Korea and Russia - Japan bilateral relations within the framework of regional cooperation in Northeast Asia. It was modified and supplemented based on the results of the international conference arranged at the Akita International University in Japan on January 23, 2018. In this volume the authors analyzed current status of ROK-RF relations and attempted to link their future improvement with the recent positive changes in RF-Japanese ties and development of ROK-RF-Japan’s Trilateral cooperation (mini-lateralism) in Northeast Asia, covering in their chapters such various aspects as politics, history, security, economics, trade, etc.

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KOREA’S TRADE IMBALANCE WITH RUSSIA: WHAT DO WE LEARN FROM IT?

Introduction

In the past several years economic relations between Korea and Russia have become more complicated. On the one hand, the 2010s are marked by the new opportunities for the development of bilateral and multilateral exchanges involving our countries. On the other hand, the geopolitical situation, as well as a number of objective economic factors, does not allow the relations between Russia and Korea to reach a high level.

Considering that South Korea and Russia’s contemporary interactive history is about 25 years, most experts agree that the current economic relationship has barely reached its potential. Trade, which includes merchandised trade and service trade, do not provide a solution to the mutual objective of achieving a strategic partnership, which was proclaimed in 2013 as an ideology of relations between South Korea and Russia.

In this paper, when analyzing bilateral trade dynamics and structure author tries to highlight one of its peculiarities—“imbalance”. In the paper we make an attempt to understand the implications of trade imbalances regarding trade between Russia and Korea and identify conditions under which we should regard trade imbalance between Korea and Russia to be detrimental or benign. Taken together, imbalance dilemmas are worth examining in greater detail because they shed light on similar problems facing Russia’s and Korea’s trade policy as a whole.

Breaking down “trade imbalance”

Trade imbalance is a common term that means the difference between the monetary value of exports and imports in an economy over a certain period. A positive balance is when the amount of exports is greater than the amount of imports, and this is known as a trade surplus. Whereas

the opposite (a negative balance), where there are greater imports than exports, is known as a trade deficit or trade gap.

In some cases bilateral trade balances reflect political judgment as to whether the foreign country is a “good” or “bad” trade partner as it is for Trump’s administration in USA for example. Actually this type of classification is not a useful guide for formulating trade policy even if we mention overall trade deficit. Bilateral trade balances make little economic sense as a guide to trade policy in the 21st century. The bilateral balance approach recalls mercantilist doctrines of the 17th century.

The presence of a trade deficit, or an increase in the trade deficit is commonly reported as a sign of distress. Similarly, a decrease in a trade deficit, or increase in a trade surplus, is commonly viewed as a sign of strength in an economy. In general, it is simply not true that a trade deficit is a sign of a weak economy and that a trade surplus is a sign of a strong economy.

One of the main reasons trade deficits are considered deleterious is because of a common argument that trade deficits result in job losses. The effect of excessive imports is said to be the purchase of cheaper foreign goods by domestic consumers rather than purchasing the slightly more expensive domestic varieties. Thus it is said that trade deficits cause the loss of domestic jobs.

Another reason given for low exports, especially in the developed countries, is the relatively high barriers to trade in developing countries.

An ongoing trade deficit is detrimental to the nation’s economy when a country is a large international debtor and when growth or prospective growth is low. Trade deficits become a problem if accumulated borrowings result in a substantial reduction in consumption and standard of living for its citizens during the repayment periods.

Alternatively, trade deficits are less worrisome if they accompany increased investment and other stimuli to economic growth. Trade deficits may represent a country that is merely drawing down previously accumulated foreign savings or selling other productive assets, in which case there

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1Joint statement of Russia and Republic of Korea/ Problemy Dalnego Vostoka. 2014. # 1. P. 10. (In Russian)

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is no potential for default or reduced living standards in the future. Here, the trade deficit is either immaterial or even beneficial in that the nation is able to achieve a higher current living standard because of it.

Finally, in a free market economy, trade deficits may simply reflect the aggregated choices of many individuals to forgo future consumption to achieve more current consumption. In this case, the trade deficit should be viewed as immaterial since it merely reflects the free choices of the national people.

A country's balance of trade is influenced by all of the factors that affect international trade. These include factor endowments and productivity, barriers to trade, investment activity and fiscal policy, even a lack of infrastructure as it can increase the relative cost of getting goods to market. Demand also affects the balance of trade. Merely knowing that a country has a trade deficit, or that a trade deficit is rising, is not enough information to say anything about the current or future prospects for a country. The truth about trade deficits is that sometimes they are good, sometimes they are bad, but most times, they just don't matter.

Russian-Korean Trade History: From 1990s to 2010s

Economic relations between Russia and Korea have a relatively short history. In 1970s economic contacts took place episodically or in some cases through third countries.

In 1987 President Roh Tae Woo proclaimed "Northern Policy" to promote exchanges with socialist's countries. After Soviet Union team participated in the 1988 Summer Olympics in Seoul Moscow took steps to establish official contacts with South Korea. In 1989, trade offices were opened in Moscow and Seoul, direct sea and air routes established between the two countries, visits of businessmen and officials increased. All these contacts and actions stimulated to the rise of direct trade between the countries.

Russian-Korean economic relation began to develop actively in 1990s, when diplomatic ties between the two countries were established. At that time Korean interest towards Russia stemmed from a desire to gain access to the rich mineral resources of Russia. Russia, on the other hand, urgently needed to attract investment and spur economic development of the country, especially the backward regions of the Far East. Republic of Korea in the early 1990s was regarded as a source of investment in the manufacturing sector as well as the supplier of high-quality consumer goods for Russian market.

Given all that, merchandised trade between Korean and Russia mainly settled into Korean exports of electric home appliances (color TVs, refrigerators etc.), textiles, footwear, furniture, and Korean imports of raw materials (oil, steel, metal goods, wood, coal, seafood, non-metallic ore) from Russia.

At that time, Russia had just begun opening its market, so awareness of Western products was limited. It made entry of South Korean consumer goods easy but due to the low purchasing power in Russia Korean export didn't grow fast. On the other hand, abundant and cheap Russian natural resources and raw materials found Korean sales channels rapidly.

Russia-South Korea Trade in 1992–2016

As we can see from the tables, there are several phases in the dynamics of trade between Russia and Korea. In the period 1992-1996 a rapid growth in trade was recorded, the turnover increased almost 20 times in a four year (from $193 million to $3,770 million). At the same time, Korean imports grew faster, which led to an increase in the Korean trade balance deficit.

In 1990s bilateral trade grew steadily, but the sheer volume of trade remained low, reaching only 2.23 billion USD in 1999 (1.59 bln USD for Russian exports and 0.64 for Korean export). At the period Russia maintained a trade surplus with Korea.

### Table 1

<table>
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<th>South Korea – Russia Trade in 1992–2004 (mln. USD)</th>
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<tr>
<td>Korea’s Export to Russia</td>
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<tr>
<td>Korea’s Import from Russia</td>
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<tr>
<td>Turnover</td>
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<tr>
<td>Korea trade balance with Russia</td>
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The period of rapid growth was interrupted in 1998 by the consequences of the financial crisis in Korea (1997) and Russia (1998). Turnover fell by 36% in 1998, and entered a new phase of stable growth only in 2001. While South Korea-Russia trade grew quickly, the other areas of cooperation such as attraction of investments, tourism, scientific and technical cooperation, etc., didn’t progress. Even though Korean companies had made various attempts at direct investment in Russia, it only resulted in a few small investments. This was partly caused by post-Soviet Russia’s unstable social circumstances and institutional chaos after its implementation of radical reform. However, the main reason was the lack of information that South Korean companies had about Russia’s domestic market and the Russian people, which made it difficult to carry out investments. Therefore, the share of Russia in the South Korea’s overseas direct investment remained very small, less than 1%.

So in late 1990s the relationship has fallen short of expectations because both trade and investment cooperation in was not growing as fast as the mutual interest promised. Situation changed in 2000s, when economic relations between the two countries entered a full-blown growth phase, as Russia’s economic situation took a favorable turn.

The following tables indicate the dynamics of Russia-Korean trade turnover in 2005-2010s.

### Table 2

<table>
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<tr>
<th>South Korea – Russia trade in 2005–2016 (bln USD)</th>
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<tr>
<td>Turnover</td>
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<tr>
<td>Korea’s exports to Russia</td>
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<td>Trade balance (as for Korea)</td>
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</table>


In the period from 2001 to 2014, the turnover, and both its components – exports and imports, with a few exceptions, grew steadily: the trade turnover increased almost 10 times, from $2 billion 870 million in 2001 to $27 billion 290 million in 2014.

In the 2000s, the composition of traded products changed. The growth in trade in mid-2000s was attributed to increase in the supply of cars and auto parts, while in early 2000s it has been enhancing because
to the growth in the supply of consumer and food products as well as investment flows into Russia. Since 2005, vehicles, parts and accessories, buses account for 65.9% of total South Korea's exports to Russia. The rest of the exports were presented by construction equipment, synthetic polymers, electronics etc.

Major Russia exports to South Korea include crude oil, natural gas, ferrous metals, fish, timber. Russia ranked ninth in the list of oil suppliers to South Korea, the first place as a supplier of natural gas, 9th place – an uranium supplier. Since 2015, for 30 years 7.5 million tons of gas from Russia will be annually supplied to Korea, which is 25% of the domestic consumption in South Korea [3].

It was after the mid-2000s when direct investments of South Korean companies in Russia increased, although this was not strictly a Korean phenomenon since Russia was becoming a global host country. Korean Investments inflows into Russia are unstable. 2008 and 2009 gave a big boost in investment, and their annual volume reached a record figure of $427,873 in 2009, in 2010 started their decline due to the unhealthy situation in the global financial markets.

At the initial stage of Russian-Korean relations Korean investments were primarily concentrated in the Russian Far East, specializing mostly in the exploitation of natural resources. In the 2000s investors started to switch over to the European part of the country, in which consumer demand is much higher. While other countries concentrated on investing in material resources in Russia, South Korean companies invested in local production and the sale of processed goods, including automobiles.

The share of the Republic of Korea in Russian Far East turnover was far above the national average, amounting to 28.2% in 2012. Russian Far East in became the flagship of the Russian-Korean cooperation, although its role is still limited to raw material supplies and transit functions. Russian Far East lacks labor market and consumer market density to be important for Korean exports and for investments that are often tied to the market.

As for investment, so far the accumulated amount of direct investment of South Korean companies in Russia, over $2 billion, had been less than one percent of South Korea’s entire overseas direct investment.

It does not correspond to the relatively high activity of South Korean investors in the world. Considering this figure, investment relations had not been as active as trade relations during this same time period.

In 2014 the trade volume between South Korea and Russia exceeded $27 billion. Turnover average growth accounted for 25% in the period from 2002 to 2014. In the early 2010s the Republic of Korea entered the top ten exporters in Russia with a share of 3.8%. Russian export to the Republic of Korea share less – 2.6%. In 2012 Russia became the 10th largest importer and the 12th largest exporter of the Republic of Korea.

Sudden collapse of the Russian currency in 2014, when rouble fell for more than twice within a year, resulted in a sharp decline in trade turnover in 2015 – it was reduced to the level of 2010. In 2015 Russia took only 23rd place in the list of importers of Korean products (in 2012 – 10th place). Import from Russia decreased slightly less than in 2015 – 27.8%, and Russia has maintained 9th place in the list of exporters to Korea. As it was already mentioned, starting from 2004 – 2005 years almost half of the exports of the Republic of Korea in Russia were automobiles and parts. In 2015, imports of this particular commodity group decreased more significantly.

**Commodity Trade Imbalance**

Let us consider the dynamics of commodity exports and imports of the Republic South Korea in regard with imbalance in commodity turnover. The graph below reflects the dynamics of the trade balance between the two countries from the position of Korea.

The statistics showed several phases in the trade deficit dynamics. In the 1992-1996, there was a rapid growth in trade, when in several years the trade increased almost 20 times. In this period Korean imports grew faster, which has resulted in the increase of the trade balance deficit for Korea.7

In the period from 1999 to 2005, this process intensified, which resulted in an even greater predominance of Russia’s export over Korea’s.

The period from 2006 to 2009 was marked by the growing Russia’s bilateral deficit with Korea. During this period, the demand in Russia had grown
significantly, and this led to the active promotion of Korean goods. In 2009, exports from Korea once again became less than Russia’s and Korea start to record trade deficit with Russia. Since 2013 the Korea’s bilateral trade deficit was growing and reached record figures in 2014 (9270 billion USD).

The general imbalance of trade implies the need for an in-depth analysis of trade dynamics and structure.

Korea Trade Balance with Russia in 1992–2016

The trade intensity index \((T)\) is used to determine whether the value of trade between two countries is greater or smaller than would be expected on the basis of their importance in world trade. It is defined as the share of one country’s exports going to a partner divided by the share of world exports going to the partner. It is calculated as: \(T_{ij} = (x_{ij}/X_j)/(x_w/X_w)\), where \(x_{ij}\) and \(x_w\) are the values of country \(i\)’s exports and of world exports to country \(j\) and where \(X_j\) and \(X_w\) are country \(j\)’s total exports and total world exports respectively. An index of more (less) than one indicates a bilateral trade flow that is larger (smaller) than expected, given the partner country’s importance in world trade.

The intensity index of Russian-Korean trade, calculated according to data for 2016, was 1.26 for Russia’s exports, and 0.86 for Korean exports. This means that Russia’s exports to Korea are more intense than Korean exports to Russia. To some extent it can be argued that South Korea is a more significant trading partner for Russia than Russia for Korea.

The export diversification (or concentration) index \((DX)\) for a country is defined as: \(DX_i = (\text{sum} |h_i - x_j|) / 2\), where \(h_i\) is the share of commodity \(i\) in the total exports of country \(j\) and \(x_j\) is the share of the commodity in world exports. The related measure is the concentration index or Hirschman (H) index, which is calculated using the shares of all products in a country’s exports: \(H = \text{sqrt} \times \text{sum} (x_i/X_j)^2\). The concentration index takes values between 0 and 1. A value closer to 1 indicates a country’s exports or imports are highly concentrated on a few products. On the contrary, values closer to 0 reflect exports or imports are more homogeneously distributed among a series of products.

Thus, the export concentration index of the Republic of Korea to Russia was 0.202 in 2012, and it was 0.120 in 2015, thus demonstrating a downward trend. In both cases it means a high degree of diversification of Korean exports. As for Russian exports to Korea, the concentration index in 2012 was 0.632, and 0.560 in 2015. Thus, it is obvious that Korea’s export to Russia is more diversified than Russia’s exports to Korea. The fall in the ruble exchange rate, which occurred in 2014, contributed to the further diversification of Korean exports, as exports of cars fell drastically. The high degree of concentration of Russian exports is due primarily to the predominance of raw materials in its structure – energy resources, fish, timber. So far Korea’s export should be seen as a more stable so far, less vulnerable to change in prices.

So far the Korea’s trade deficit with Russia is growing, but for a number of reasons it is not a significant or critical phenomenon for Korea.

First, the Korea’s trade deficit with Russia is quantitatively small given its overall trade surplus. Relatively small deficit with Russia does not lead to a debt increase, since in general Korea is maintaining a trade surplus.

Secondly, the trade deficit with Russia does not take jobs from the Korean economy. This judgment comes from the analysis of commodity structure. It is obvious that there is practically no intra-industry trade between Russia and Korea.
Section 1. CRITICS FOR EXISTING PROBLEMS OF ROK-RF RELATIONS

The third concern about the trade deficit is the statement about the competitiveness of the Russian economy itself, that is Russia's exports inefficient structure. However, if we Russia's exports will acquire a more favorable structure and high-value-added goods will prevail in it, and if this export pattern spreads to Korea, the question of whether Korea has lost jobs in these industries will cease to be theoretical. However, in our opinion, this is a problem of a very remote perspective, but quite real.

Given the above observations, it should be noted that the problems associated with the trade deficit for each country is different. For Korea, the growing trade deficit can cause a problem of job losses, for Russia, given its inefficient trade structure — the trade surplus does not seem to be a significant achievement.

Service trade

In the modern economy, it is surely too limiting to consider goods only. International trade in services is growing and its importance to trade overall is increasing relative to trade in goods. The services economy and trade in services are becoming more important for the growth and development prospects. Although it was too early to conclude that Russia's share of international trade in this sector would be significant, the aim of integrating Russia into the world economy naturally meant the expansion of participation of its services suppliers in the international division of labor.

As of 2015, the total export of services of Russia amounted to $49 billion 123 million, while imports — $87 billion 124 million. Trade in services in Russia is characterized by a chronic deficit, which continues to increase, especially after a significant depreciation of the ruble in 2015.

As for services trade between Russian and Korea, Table 3 indicates the dynamics in the period from 2002 to 2015.

As can be seen from the table, the volume of trade in services between the two countries has continuously increased in the period up to 2014, exceeded 1 bln USD in 2008. The import of services from the Republic of Korea also showed a steady upward trend in the period from 2002 to 2014, while in the export of Russian services to the Republic of Korea, during the period under review, there were periods of spasmodic growth and decline. In 2015 a sharp decline in service trade was recorded. The reason was the devaluation of Russian currency.

Table 2

<table>
<thead>
<tr>
<th>Year</th>
<th>Service Trade Turnover</th>
<th>Korean Service Exports to Russia</th>
<th>Russian Service Exports to Korea</th>
<th>Trade balance (as for Russia)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>426 165 346</td>
<td>213 263 567</td>
<td>207 890 689</td>
<td>-10 365 968</td>
</tr>
<tr>
<td>2003</td>
<td>475 099 131</td>
<td>214 739 631</td>
<td>256 359 590</td>
<td>37 619 859</td>
</tr>
<tr>
<td>2004</td>
<td>539 900 310</td>
<td>194 429 990</td>
<td>344 569 320</td>
<td>150 148 330</td>
</tr>
<tr>
<td>2005</td>
<td>636 500 861</td>
<td>264 971 387</td>
<td>375 529 474</td>
<td>114 558 087</td>
</tr>
<tr>
<td>2006</td>
<td>819 590 000</td>
<td>354 833 000</td>
<td>451 759 000</td>
<td>92 926 000</td>
</tr>
<tr>
<td>2007</td>
<td>881 943 213</td>
<td>377 749 042</td>
<td>510 194 171</td>
<td>138 445 129</td>
</tr>
<tr>
<td>2008</td>
<td>1120 239 109</td>
<td>515 834 189</td>
<td>601 404 920</td>
<td>82 570 731</td>
</tr>
<tr>
<td>2009</td>
<td>1 140 790 338</td>
<td>605 539 069</td>
<td>538 250 369</td>
<td>-64 289 600</td>
</tr>
<tr>
<td>2010</td>
<td>1221 191 994</td>
<td>665 497 985</td>
<td>555 821 209</td>
<td>-109 676 776</td>
</tr>
<tr>
<td>2011</td>
<td>1133 322 140</td>
<td>666 015 353</td>
<td>467 205 787</td>
<td>-198 709 566</td>
</tr>
<tr>
<td>2012</td>
<td>1389 963 240</td>
<td>824 452 221</td>
<td>565 511 019</td>
<td>-258 941 202</td>
</tr>
<tr>
<td>2013</td>
<td>1 394 012 359</td>
<td>824 146 137</td>
<td>569 872 122</td>
<td>-254 274 015</td>
</tr>
<tr>
<td>2014</td>
<td>1 151 935 404</td>
<td>715 957 320</td>
<td>435 978 084</td>
<td>-279 979 236</td>
</tr>
</tbody>
</table>

Source: https://comtrade.un.org/data

There are no reliable data on the structure of trade in services, but it can be assumed that their basis is made up of tourism services trade, in particular medical tourism to South Korea, which had been growing from the mid-2000s.

The visa-waiver agreement of short-term visitors between South Korea and Russia, which went into effect in early 2014 boosted the tourist ex-
changes. Due to its transport accessibility Far Eastern Russia attracts a lot of tourists from Korea. On the other hand the devaluation of the ruble made trips to Russia cheaper for foreigners. The number of Koreans who visited Russia in 2014 amounted to 135 thousand people, while 214 thousand Russians visited Korea. The number of Koreans who visited Russia in 2015 increased by 13% the previous year. Roughly the same figure the number of Russians who visited Korea in the same year has decreased.

The balance of bilateral trade in services demonstrates an interesting dynamics. In the period from 2002 to 2009, Russia recorded a positive balance of trade in services with South Korea, whereas since 2009, when the balance became negative, the deficit is constantly growing, so Russia has been confirming its status of a net importer in service trade.

The deficits in service trade, which is associated with travel in this case, can be explained by the lack of adequate infrastructure capable of satisfying the demand of tourists from Korea and other countries. Another problem exists. A significant part of profits from tourists are not invested in the development of the region as it is re-exported to Korea through Korean tourist firms.

With regard to trade in services, the most pressing concern of the Russian Federation, which was still a net importer of services, is to develop its national services infrastructure and an adequate legislative basis, and to strengthen its export potential in services.

**Russian – South Korean Trade Relations: Current Issues**

As Russia’s President Putin and South Korea’s President Moon started their meeting in Vladivostok in September, 2017, both countries are deeply interested in promoting bilateral relations. As we can see from the analysis given above, bilateral trade is not balanced qualitatively and quantitatively and requires attention in formulating new trade patterns from both sides.

First, Russia’s ineffective export commodity structure is already a well-known problem. What makes the situation worse is that the attempt to improve the situation seem to be vain. For example sudden collapse of the Russian currency in 2014, when ruble declined 40 percent against the dollar, never made Russian exports more competitive and didn’t increase it. Due to ineffective structure of Russia’s export and declining oil prices in 2015 Russian export to Korea shrunk from $18,28 billion in the previous year to $13.5 billion. In this regard overall export competitiveness should be Russia’s priority.

Second, much of the trade that would naturally take place between countries fails to materialize due to insufficient trade-related infrastructure. The physical infrastructure for trade (ports, roads, pipelines and handling facilities) in Russian Far East is inadequate. Less visible but no less important are the soft trade-related infrastructures of border and logistics management (shipping, air transport, telecommunications, business environment). Thus both countries should seek for the development of the trade-related infrastructure. It means a wide range of things – from tourist infrastructure regarding service trade to new logistic schemes involving North Korea.

In this regard geo-economic conditions should be mentioned. North Korea crisis do not contribute to the growth of trade, while North Korea itself can be viewed as a factor conducive to the formation of effective logistic schemes in North East Asia. Both Russia and South Korea can use the opportunities provided by the economic relations with North Korea for the Russian-South Korean cooperation. This is one of the reasons to seek for the dialogue with North Korea.

For example, investing into the Rason Trade intermodal transshipment complex and reconstruction of the railway between Khasan and Rajin is currently one of such projects. The primary goal of the project was to launch international container traffic from the station of Rajin along the Trans-Siberian Railway but because of the deterioration of the Inter-Korean relations the project purpose was switched to the coal transportation from Russia. New coal transportation corridor from Russia is primarily profitable for consumers in the South and Southeast China, as well for South Korean conglomerates. In December 2014, the Rajin logistic project

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the first Russian shipment of coal was delivered to the South Korean city of Pohang. The Rajin-Khasan logistic scheme was examined and positively evaluated by POSCO. However, after a deterioration of the situation on the Korean Peninsula in 2016 Rason temporarily lost relevance as a project contributing to the development of Russian-Korean relations.

Third, Russia should take into account new South Korean administration proactive policy towards Russia and be ready to make an adequate answer. Korea made some steps to the institutionalization of cooperation with Russia – the Presidential Committee of Northern Economic Cooperation was established as an institution to promote cooperation with Russia. Some proposals in the sphere of energy from Korea has been made. They imply the increasing gas imports to reopen the discussion of a long envisioned project to build a natural gas pipeline through North Korea. Institutionalization of bilateral relations will help to promote major projects involving the two countries: developing agriculture in the Russian Far East; fishery or forest products processing, infrastructure projects like Trans-Korean Railway Trans-Siberian Railway (TKR-TSR) linkage etc.

Last but not least is the issue of free trade agreement between the countries. An FTA could help raise trade by liberalizing the flows of goods and investments, build better economic relations. However, in the current circumstances FTA will not bring significant benefit at bilateral level, regarding Russia and South Korea trade policy and trade structure liberal status. But if we mention the Eurasian economic Union (which now consists from Russia, Belarus, Kazakhstan) as a counterpart for FTA agreement the situation is supposed to be more promising.

Conclusions

1. In late 1990s the relationship between Korea and Russia has fallen short of expectations because both trade and investment cooperation was not growing fast. Situation changed in 2000s, when economic relations between the two countries entered a growth phase. In the period from 2001 to 2014, the turnover increased almost 10 times to $ 27 billion. Sudden collapse of the Russian currency in 2014, when ruble fell for more than twice within a year, resulted in a sharp decline in trade turnover in 2015.

2. Korea’s growing trade deficit with Russia is not a significant or critical phenomenon for Korea. First, the Korea’s trade deficit with Russia is quantitatively small given its overall trade surplus. Secondly, the trade deficit with Russia does not take jobs from the Korean economy. This judgment comes from the analysis of commodity structure which shows there is practically no intra-industry trade between Russia and Korea.

3. In the period from 2002 to 2009, Russia recorded a positive balance of trade in services with South Korea, whereas since 2009, when the balance became negative, the deficit is constantly growing. The deficits in service trade, which is associated with travel, can be explained by the lack of adequate infrastructure capable of satisfying the demand of tourists from Korea and other countries. Another problem exists. A significant part of profits from tourists are not invested in the development of the region as it is re-exported to Korea through Korean tourist firms.

4. Seeking for balance between economic and foreign policy goals seems to be the central dilemma of the Russian-Korean relations. While Russia hopes that the economic agenda in Russian-Korean cooperation will prevail or at least not be linked to the political issues, South Korea seems to be expecting for the improving of the inter-Korean relations with Russian help. Trade occupies a special place in economic relations. Trade is less connected with the political agenda, reflects the interest of small and medium-sized businesses, international and domestic market conditions, the level of development of social contacts. One of the main prerequisites for the trade integration between Russia and Korea is the complementarity or asymmetry of their structures, which almost completely excludes competition between our countries in foreign markets.

\[\text{Sources:} \]