The development of bilateral relationship between Russia and South Korea

Abstract: The paper discusses the development of bilateral relationship between the Russian Federation and South Korea. The analysis of export-import trading is presented. The reasons for the low development of Russia-Korea trade relations are identified. The prospects for the future cooperation are revealed.

Key words: bilateral relationship, export, import, investments, economic conditions.

Аннотация: В статье обсуждается развитие двусторонних отношений между Российской Федерацией и Южной Кореей. Представлен анализ экспортно-импортной торговли. Определены причины низкого развития торговых отношений между Россией и Южной Кореей. Выявлены перспективы развития.

Ключевые слова: двусторонние отношения, экспорт, импорт, инвестиции, экономические условия.

The financial and technological interactions between the Russian Federation and South Korea will be beneficial for both.

The beginning of political interactions between the Russian Federation and the Republic of Korea was initiated at the summit meeting in San Francisco.
in June, 1990. This political meeting also resulted in agreements on trade, investments and prevented double taxation between two countries. Since then, the bilateral relationship between Russia and Korea has been developing [3].

At present, Korea imports natural resources from Russia. Clearly, Russia is a competitive supplier of gas and oil, which makes it very attractive to such countries as Korea with lack of natural resources. Russia also produces skill-intensive goods that could be of interest to Korean companies. Moreover, both Russian scientific organizations and large-scale enterprises have gained plenty of experience in applying the results of fundamental research to the production process.

A number of Korean and Russian companies have established joint-ventures to conduct research in different spheres. The interaction between two countries improved economic conditions of both countries.

In 2014, the trade turnover between these two countries grew to 54.5% and accounted for 15.065 USD.

With reference to KOTRA (Investment Consulting Center) the volume of Korea export to Russia in 2014 exceeded 8 billion USD, half as much as the figures in 2013. The comparable indicator of 52% characterizes the growth of Russian import to Korea which has amounted almost 7 billion USD.

The main products of Korea export to Russia are cars, around 40%, chisel platforms, synthetic pitches, wireless communication equipment, automotive parts, electronics, synthetic materials from plastic fibers [4].

South Korea imports from Russia crude oil, petrochemicals, aluminum alloys and ferrous metals, coal, seafood, timber, uranium.

Despite rather good export-import relations between two countries, the investments in Russia are getting smaller and smaller. Attractive industries for Korean investors are mainly automotive, food, electronic and construction industries. For example, in 2013, Korean automotive and other companies were
actively involved in negotiations for participation in creation of co-productions in Russia.

There are many reasons for the low development of Russia-Korea trade relations. Apart from the economic reasons, such as different economic structures, there is a need to emphasize political problems. They include the undeveloped legal structure.

In 2006, Korea implemented a new policy towards its Russian trading partner. The policy reflects the Korean government’s desire to intensify its economic relations with Russia. South Korea is very interested in developing trilateral cooperation with North Korea and Russia. Russia could use its good offices to facilitate enhanced and regular dialogue with North Korean government.

Existing political problems do not allow Russia and South Korea to use the full potential of their trade cooperation and prevent from good investment relations. The investment cooperation is developing very slowly. The amount of Korean investment in the Russian economy is very small.

Trade and investment cooperation between Russia and Korea has a high potential. It is to their mutual advantage to intensify this cooperation. However, this intensification will hinge on the policies implemented by the respective countries [1].

Russia has a great interest in the development of projects with Korea because they will give the country an opportunity to increase its export volumes. The growth of exports will be possible because of the development of Russia’s manufacturing industry through foreign investment inflows. Certainly, the volume of foreign investment will definitely increase once Russia’s economic recovery is sustained. Korean investors are in a position to implement new technologies into the Russian industries [2].

Korea will benefit from cooperating with Russia. The country will gain access to the Russian market and will be able to explain its exports to Europe.
Further cooperation with Russia may make Korean goods more competitive on the European market by decreasing transportation costs.

However, it is possible to declare with confidence, that the republic of Korea and Russia have already achieved significant development of bilateral relations in many areas, including political, economic, cultural, scientific and technical spheres. Despite positive trends in Russia-Korea relations, there are still potential cooperation opportunities. The issue of energy cooperation between Russia and Korea is under discussed.

Thus, further bilateral cooperation between Russia and Korea will depend on sustainable economic policy, which the Russian and Korean governments are trying to implement as the basis for creating favorable conditions for increasing trade and investment flows between two countries.

**References**