

ANALYSIS OF THE TRADE AND INVESTMENT CHANNELS AS WAYS TO EXPAND AND ENHANCE THE ECONOMIC COOPERATION OF THE REPUBLIC OF KOREA WITH THE EAEU COUNTRIES

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Abstract: Expanding economic cooperation with the EAEU is of great importance to the Government of the Republic of Korea, which is focusing on providing new drivers of economic growth through expanded trade with various countries and groups of countries, including the Eurasian region. Economic cooperation between the Republic of Korea and the EAEU has the potential to promote mutually beneficial development in the long term as both regions are forming complementary industrial complexes. International competitiveness can be ensured through bilateral economic cooperation based on the advanced industrial technologies of the Republic of Korea, as well as energy and mineral resources, which are the main production factors of the EAEU countries. Moreover, in the current economic situation of the Republic of Korea, where it is necessary to reduce trade dependence on China, expanding cooperation with the EAEU is becoming a key aspect of its further economic development.

Keywords: South Korea, The Eurasian Economic Union, economic cooperation, investment, trade, competitiveness, market growth potential, market stability, international competitiveness.

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Introduction

The Eurasian Economic Union (EAEU), established in January 2015, has set itself the ambitious goal of creating a Eurasian Union similar to the European Union by 2025, based on a step-by-step development plan. The EAEU, which currently consists of five countries: Russia, Kazakhstan, Belarus, the Kyrgyz Republic, and Armenia - forms the largest economic union and market in the post-Soviet region.

The EAEU ensures the free movement of goods, services, capital and labour between member states. Since 2017, plans have been developed and promoted to integrate the pharmaceutical market and the electricity market of the EAEU countries and to form a single energy market (oil and natural gas) by 2025.

Therefore, the EAEU promotes the expansion of international economic cooperation and strengthening global competitiveness through comprehensive modernization of the national economy and strengthening economic cooperation between member countries. In particular, expanding economic cooperation with the EAEU is of great importance to the Government of the Republic of Korea. The EAEU holds significant potential for the Korean

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economy in terms of stable securing of energy and mineral resources. Faced with a stagnating economy, it is focusing on providing new engines of economic growth, including through expanded trade with Eurasian countries. In addition, expanding external economic cooperation with the EAEU is directly related to peace and stability on the Korean Peninsula.

Literature Review

The economic cooperation of the Republic of Korea and the EAEU is focused on Russia and Kazakhstan, and there is a need to gradually expand economic cooperation with the other EAEU member countries, namely Belarus, Kyrgyzstan and Armenia. Since 2015, trade and investment cooperation between the Republic of Korea and the EAEU has declined, with the main reasons for this being the decline in world oil prices and economic sanctions imposed by Europe and the United States against Russia.

However, in the long term, foreign economic cooperation between the Republic of Korea and the EAEU countries is very important for bilateral economic development. In this regard, South Korean economists are actively conducting research into ways to expand investment between the Republic of Korea and the EAEU.

In particular, Jeneg (2021) explored ways to expand investment in the Republic of Korea and the EAEU through a study of the investment and business environment in the EAEU countries. In addition, Jiyoung (2022) presented a study on the specific investment environment in the EAEU countries and the entry routes of South Korean companies into the EAEU countries. Hochal (2020) provides guidance for South Korean companies to enter the EAEU market by examining EAEU countries' plans to attract foreign investment. On the other hand, Zhiwoon (2020) presented a study on the role of the Government of the Republic of Korea in promoting the expansion of economic cooperation with the EAEU.

Measures to expand investment cooperation between the Republic of Korea and the EAEU countries are directly related to cooperation in expanding bilateral trade. Due to the current deterioration of the international situation, investment and trade between the Republic of Korea and the EAEU have temporarily declined.

However, it is expected that economic cooperation between the Republic of Korea and the EAEU will gradually expand through increased trade in the future. The main reason for this is the recent stabilization of international energy prices and the general economic development of the EAEU countries, such as Russia, Kazakhstan and Belarus. In particular, visible results are achieved in the policy of diversifying the industrial structure, as well as stimulating and developing import-substituting industries, especially in Russia, Kazakhstan and Belarus.

Moreover, in the main policies of the EAEU on expanding foreign trade, the share of countries of the Asia-Pacific region is significantly increasing. Considering the economic situation of these three main EAEU countries, there is sufficient potential to intensify economic cooperation through the expansion of trade between the Republic of Korea and the EAEU.

Methodology

In general, to understand the investment environment of a particular country or region³, it is primarily necessary to conduct an analysis of the market characteristics. Several criteria can be used to analyze the characteristics of the EAEU market. A comprehensive

³ This is a term that refers to the analysis of a country or market that a company specifically wants to tap into.

decision can be made after studying the characteristics of the EAEU market, which are largely focused on competitiveness, growth potential and stability.

First of all, **competitiveness of the market** refers to the purchasing power and trading volume of a particular country's market, as well as the presence or absence of existing resources. That is, competitiveness of the market can be assessed by looking at the current volume of the economy, income and population, natural resources and trade status related to the purchasing power of a particular market. A country with higher purchasing power and more natural resources is given a higher rating.

Market growth potential refers to the expectation and estimate of how quickly the purchasing power of a particular country's market will increase. Market growth potential is a very important indicator that directly influences the decision to attract foreign investment. If the rate of growth of purchasing power has been high in the past few years, then there is a high probability that purchasing power will grow rapidly in the future. Moreover, even when the foundation for a particular country's socio-economic growth is firmly established, the market potential is also highly valued. Therefore, the growth potential of a particular country's market is an important factor in attracting foreign investment in the long term.

Market stability means determining the stability of the economy and system of a particular market based on product prices, exchange rate fluctuations and the basis of the market mechanism. Environment associated with market stability provides foreign direct investors with a very useful basis for forecasting investment costs and returns in a particular market. In particular, assessing the stability of the EAEU market is an important and practical consideration for foreign investors. Table 1 below shows considerations in assessing the direct investment environment for a particular country (Jeneg, 2021).

Table 1. Considerations when assessing country-specific direct investment conditions

	Assessment elements
Competitiveness of the market	<ul style="list-style-type: none"> - Purchasing power: population, GDP, GDP per capita; - Trade potential: volume of exports and imports; - Natural resources: oil, natural gas, coal.
Market growth potential	<ul style="list-style-type: none"> - Rates of growth of purchasing power: rate of population growth, rate of GDP growth, rate of exports and imports growth; - The basis of socio-economic growth: domestic investment/GDP, FDI/GDP, human capital (human development index), logistics infrastructure (logistics efficiency index).
Market stability	<ul style="list-style-type: none"> - Economic stability: inflation rate, exchange rate fluctuations; - Social and institutional basis: business environment, economic freedom, level of corruption, political stability.

Source: Jeneg (2021, p.10).

Taking into account the investment environment of the EAEU, the market competitiveness of the EAEU looks as follows. As of 2017, the EAEU is a relatively large market with a population of 180 million people. GDP per capita in the EAEU varies greatly by country, but as of 2022, Armenia recorded USD 8,283, Belarus – USD 7,477, Kazakhstan – USD 12,968, Kyrgyzstan – USD 1,829, and Russia – USD 13,005. However, if we look at GDP per capita in terms of Purchasing Power Parity (PPP), Armenia recorded USD 18,140, Belarus – USD 21,710, Kazakhstan – USD 27,330, Kyrgyzstan – USD 5,670, and Russia – USD 35,540 (World Bank Databank, 2024). In other words, if we look at Purchasing Power Parity, the potential competitiveness of the EAEU may be very high.

However, over the past three years, the volume of trade between the Republic of Korea and the EAEU has declined significantly, mainly due to a decrease in trade with Russia. The biggest factor is considered to be the external factor, namely economic sanctions from Europe and the United States due to the military conflict between Russia and Ukraine. Among the EAEU countries, Russia, which has the largest economy, has the least trade openness, and Kazakhstan, the second largest economy, also has low trade openness. The main reason cited is the economic structure which is oriented towards energy exports. On the other hand, Belarus and Kyrgyzstan are countries with relatively high trade dependence. Over the past three years, the pace of economic growth in the EAEU has been slow. This is because the economies of Russia and Kazakhstan, which rely heavily on energy exports, have deteriorated as a result of low global oil prices. In particular, due to economic sanctions against Russia imposed by the United States and Europe, the economies of Russia, Kazakhstan and Belarus, which form the backbone of the EAEU economy, are expected to continue facing difficulties in the coming years.

However, the EAEU countries as a whole have excellent human capital and strive to grow their domestic industry by stimulating and developing import substitution industries, especially in Russia and Belarus. In addition, economic recovery is expected as the industrial diversification policy actively pursued by the Kazakh government is showing tangible results. In addition, Belarus and Kyrgyzstan are also seeking to restore their economies by expanding trade with Russia. Given the current economic situation, the growth potential of the EAEU is expected to increase in the medium and long term. When assessing the stability of the EAEU, the business environment is a very important factor for foreign investors. If we consider the business environment of the EAEU countries in 2019, among 190 countries, Kazakhstan ranked 25th, Belarus – 49th, Armenia – 47th, Russia – 28th and Kyrgyzstan – 80th (Table 2).

The specific business environment in Kazakhstan is assessed as protecting minority investors, ensuring relatively good contract compliance and simplifying property registration and obtaining construction permits. In other words, it can be appreciated that it is relatively easy for foreign investors to start their own business. In Belarus, property registration is not a legally difficult task, industrial infrastructure such as electricity and water is supplied without interruption, contracts are performed on time and construction permits are issued without problems. However, it is considered relatively difficult for foreign investors to obtain the loans needed to start a business. The business environment in Armenia is relatively easy for foreign investors wanting to register and obtain loans to start a business, but it is difficult to obtain construction permits related to real estate.

In Russia, registering property is not a difficult task for foreign investors, infrastructure supplies such as electricity and water are uninterrupted, contracts are well complied with, and starting a business is considered undemanding. However, legal protection for foreign minority investors is assessed as relatively insufficient. In Kyrgyzstan, legal registration of real estate for foreign investors is not demanding, but there are problems with electricity supply, complicated tax payments and unsatisfactory contract performance. In addition, difficulties in attracting foreign investment are expected due to weak protection of minority investors (Table 2).

As shown in Table 3, the Corruption Perceptions Index in the EAEU is assessed as relatively low. The Corruption Perceptions Index is an important factor in attracting foreign investment. As of 2022, among 180 countries subject to the corruption index assessment, Armenia ranked 113th, Belarus 91st, Kazakhstan 101st, Russia 137th, and Kyrgyzstan 140th (Table 3).

Table 2. The EAEU Market Stability Assessment Index – Corporate Environment Rating (190 Countries Study, May 2019)

	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia	R. Korea
General corporate environment	47	49	25	80	28	5
Start business	10	30	22	42	40	33
Building permit	62	48	37	90	26	12
Electricity supply	30	20	67	143	7	2
Legal registration of property	13	14	24	7	12	40
Credit security	48	104	25	15	25	67
Protection of minority investors	120	79	7	128	72	25
Pay taxes	52	99	64	117	58	21
Border trade	43	24	105	89	99	36
Contract execution	30	27	4	134	21	2
Solution to the bankruptcy problem	97	74	42	78	57	11

Source: World Bank Databank (2024).

In other words, although the EAEU countries enjoy political stability, their Corruption Perceptions Index is rated as relatively low, which becomes an important issue that needs to be addressed in the long term to attract foreign investment. If we consider investment environment in the EAEU countries in a comprehensive manner, it can be summarized using the following indicators (Table 4).

Table 3. The EAEU Stability Assessment Index – Comparison of Corruption Perception Indices (180 countries survey, 2022)

	Corruption perceptions index	Rating
Armenia	33	113
Belarus	39	91
Kazakhstan	36	101
Kyrgyzstan	27	140
Russia	28	137
Republic of Korea	63	31

Source: The EAEU Stability Assessment Index (2024).

(The range of scores is from 0 to 100 points, and the higher it is, the higher the Corruption Perceptions Index is, which can be interpreted as less corruption)

Looking at the above indicators of market competitiveness, market growth potential and market stability, the investment situation and environment in the EAEU countries can be summarized as follows (Jiyoung, 2022):

Firstly, the attractiveness as a direct investment market is manifested in the following order: Russia, Kazakhstan, Belarus, Kyrgyzstan and Armenia. In particular, Russia, Kazakhstan and Belarus are not only expanding trade openness, but are also actively pursuing a policy of developing import substitution production, creating good conditions for the Republic of Korea to expand economic cooperation with the EAEU. Currently, the US and European economic sanctions against Russia are becoming an obstacle to expanding economic cooperation with the Republic of Korea. However, in the long term, the Republic of Korea should develop economic cooperation in its relations with the EAEU, focusing on expanding direct investment rather than just expanding in the trade sector.

Table 4. Comprehensive indicators of foreign direct investment environment in the EAEU countries

	Armenia	Belarus	Kazakhstan	Kyrgyzstan	Russia
Competitiveness of the market	<ul style="list-style-type: none"> - Low purchasing power; - Average level of trading activity; - Minor natural resources. 	<ul style="list-style-type: none"> - Average purchasing power; - Active trading activity; - Has small reserves of natural resources. 	<ul style="list-style-type: none"> - High purchasing power; - Low level of trading activity; - Rich natural resources. 	<ul style="list-style-type: none"> - Low purchasing power; - Active trading activity; - Has small reserves of natural resources. 	<ul style="list-style-type: none"> - High purchasing power; - Active trading activity; - Rich natural resources.
Market growth potential	<ul style="list-style-type: none"> - Low rates of growth in purchasing power and economic growth; - Unreliable basis for economic growth. 	<ul style="list-style-type: none"> - High growth rates of purchasing power; - Ensuring potential industrial economic indicators through the availability of high-quality IT human resources; - Serves as a springboard for expanding trade with Europe through improved logistics conditions. 	<ul style="list-style-type: none"> - High growth rates of purchasing power; - Creation of a material and resource base for economic growth; - Expanding competitiveness through diversification of the industrial structure. 	<ul style="list-style-type: none"> - Low rates of economic growth compared to high rates of growth in purchasing power; - Low human resources for economic growth. 	<ul style="list-style-type: none"> - High growth rates of purchasing power; - Possession of excellent human support and material resources which become the basis for economic growth; - Enhancing national competitiveness through the industrial diversification policy.
Market stability	<ul style="list-style-type: none"> - Institutionally stable economic base; - Unstable political base; - Risk of conflict with neighboring countries. 	<ul style="list-style-type: none"> - Low economic stability due to economic sanctions in the US and Europe; - The need for international economic cooperation through the expansion of an open economic system. 	<ul style="list-style-type: none"> - Economically stable; - The need to create an open economic structure for economic development; - The need to establish political stability and institutional framework. 	<ul style="list-style-type: none"> - Low economic stability; - The need to promote an economic development policy through an open economic policy. 	<ul style="list-style-type: none"> - Low economic stability due to economic sanctions in Europe and the US; - The need for active expansion of industrial stability in response to world oil prices fluctuations; - There is a need to increase the competitiveness of industry by expanding the open economic structure.

Source: Jiyoung (2022, p.24).

In particular, Russia, Kazakhstan and Belarus are not only expanding trade openness, but are also actively pursuing a policy of developing import substitution production, creating good conditions for the Republic of Korea to expand economic cooperation with the EAEU. Currently, US and European economic sanctions against Russia are becoming an obstacle to expanding economic cooperation with the Republic of Korea. However, in the long term, the Republic of Korea should develop economic cooperation in its relations with the EAEU, focusing on expanding direct investment rather than just expanding in the trade sector.

Secondly, in terms of market growth potential, direct investment environment is assessed in the following order: Kazakhstan, Russia, Belarus, Kyrgyzstan and Armenia. In particular, Kazakhstan has a relatively high population growth rate and is seeking to expand economic cooperation with the Republic of Korea through the industrial diversification policy. In addition, due to the relative stabilization of world oil prices in recent times, Kazakhstan's economy has stabilized and its growth prospects are high.

Thirdly, when considering the direct investment environment in accordance with the market stability, Armenia, Kazakhstan and Kyrgyzstan are assessed exactly in this order. However, from the point of view of South Korean companies, direct investment in the above-mentioned countries is indeed less attractive.

In the case of Armenia and Kyrgyzstan, the market is considered relatively stable from an economic point of view, but there are limitations to expanding investment due to minimal trade with the Republic of Korea. In general, political stability in the EAEU countries is high, but in order to expand foreign direct investment, it is necessary to stimulate the expansion of an open economic structure.

The most important way to intensify economic cooperation in entering the EAEU market and expanding bilateral investments is to conclude an FTA between the Republic of Korea and the EAEU. That is, specific plans for bilateral industrial cooperation can be realized through the conclusion of an FTA between the two parties. In this case, the advantage of South Korean companies is that they have relatively high competitiveness in advanced technologies and innovative industries such as IT. South Korean companies have a strong desire to actively develop markets and expand direct investments in companies in the EAEU countries. Moreover, the Republic of Korea has the advantage of being able to transfer its experience of successful industrialization in a short period of time through the expansion of practical economic cooperation. With these strengths, the Republic of Korea can promote economic cooperation for economic and industrial development in the EAEU countries. The Republic of Korea can seek to expand cooperation through the growth potential of its domestic market and the potential for the development of energy and mineral resources sector in the EAEU countries.

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In particular, Table 5 demonstrates an analysis of the opportunities for South Korean companies to enter the market and expand investments in the EAEU countries in the medium and long term.

Table 5. Analysis of the possibilities for South Korean companies to enter the EAEU market and expand investments in the medium and long term

Strengths	Weaknesses
<ul style="list-style-type: none"> - Relatively high competitiveness and professional human resources support in advanced technologies and innovative areas such as IT; - Diverse and active marketing opportunities; - Readiness to actively develop markets and cooperate with EAEU companies; - Price competitiveness compared to the quality of the main export goods; - Willingness to share experience of economic development with the EAEU countries. 	<ul style="list-style-type: none"> - Lack of general information about the EAEU countries; - Lack of investment capital compared to competing multinational companies, including China; - Insufficient understanding and opportunities for cultural exchange with the EAEU countries; - Insufficient medium- and long-term vision and strategy for entering the EAEU market; - South Korean companies, planning to enter the EAEU market, rely on foreign countries in terms of basic technologies.
Opportunity factor	Risk factor
<ul style="list-style-type: none"> - The governments of the EAEU countries are firmly committed to stimulating industry through economic development and attracting foreign direct investment; - Large domestic market and growth potential in the EAEU market; - Huge potential for development of resources such as energy, minerals, fishery and forestry; - Accessibility of the Republic of Korea market (geographical proximity, cultural proximity, etc.); - Growing demand for energy transportation and development of logistics infrastructure; - Potential as a basis for entering the CIS market. 	<ul style="list-style-type: none"> - Tariffs and administrative barriers due to bureaucracy; - Obstacles to foreign business activity due to complex and high tax rates; - Relative lack of industrial infrastructure (electricity, water, transport, etc.).

Source: Hochal (2020, p. 11).

Measures to stimulate direct investment between the Republic of Korea and the EAEU include reducing tariffs and eliminating non-tariff barriers through the conclusion of an FTA. The conclusion of an FTA between the Republic of Korea and the EAEU will ultimately promote economic and industrial cooperation through expanded trade and direct investment. The South Korean government's plan to expand investment in the EAEU is to identify promising industries for cooperation between the two sides, build industrial complexes, and promote investment support and revitalization with a focus on South Korean SMEs.

Using the Russian market as an example, as of 2017, the share of investments from large South Korean companies was 80%, while the share of SMEs was only 18%. This phenomenon of large Korean companies investing in Russia has not changed much. Small

and medium-sized enterprises with insufficient financial capacity experience great difficulties in entering the investment market of the EAEU, which requires large capital and a period of formation. However, in the long term, measures to enhance practical economic cooperation should be promoted through investment cooperation targeting SMEs rather than through investment in manufacturing concentrated in large corporations.

The main areas in which South Korean companies invest in the EAEU are agriculture and livestock farming in the raw materials industry, as well as food processing, electronics and automotive parts manufacturing in the processing industry. In addition, the service sector is dominated by logistics (distribution), and recently in the medical and health sector, investments in medical equipment and pharmaceuticals have been increasing. Thus, the expansion of investment cooperation in the service and high-tech sectors and pharmaceutical industry with a focus on South Korean SMEs will play an important role in strengthening economic cooperation between the Republic of Korea and the EAEU.

Plans to intensify and expand investment cooperation between the Republic of Korea and the EAEU countries are summarized as follows (Hochal, 2020):

Firstly, it is important to advance negotiations and complete the conclusion of an FTA between the Republic of Korea and the EAEU. Looking at the structure of international trade in the Republic of Korea, one can see a vulnerability that is very sensitive to changes in the international situation due to high trade dependence on the United States and China. For this reason, the South Korean government needs to actively diversify international economic cooperation to overcome the vulnerability of the trade structure. In this situation, expanding economic cooperation with the EAEU countries will become a practical solution to diversifying the trade structure of the Republic of Korea.

In particular, the EAEU is an emerging market for the South Korean economy and an important partner in providing new growth drivers. Moreover, the EAEU has already concluded an FTA with Vietnam in the Asia-Pacific region and is seeking to conclude FTAs with the Republic of Korea, as well as India, Mongolia and Singapore. Based on this situation, if an FTA is concluded between the Republic of Korea and the EAEU, it will be possible to form a new concept of strategic economic cooperation in creating a system of value chains with the Eurasian region. That is, the conclusion of an FTA between the Republic of Korea and the EAEU will open up opportunities for the South Korean economy to expand its market in the Eurasian region, and the EAEU countries will have the opportunity to expand their market in the Asia-Pacific region.

However, due to the negative international political environment, negotiations on an FTA between the two countries remain at a standstill. However, negotiations need to be resumed as soon as possible to expand bilateral economic cooperation in the long run.

Secondly, the Government of the Republic of Korea should prepare a comprehensive support package to ensure unimpeded direct investment of South Korean SMEs in the EAEU. Direct investment targeting South Korean SMEs in the EAEU is very important for strengthening economic complementarity and laying the foundation for expanding economic cooperation between the two. Bilateral cooperation on economic revitalization through SMEs is in line with the policy of production modernization of the EAEU countries and is a policy that improves the practical results of cooperation between the two countries. South Korean SMEs can contribute to job creation and enhance manufacturing competitiveness through cooperation in the processing industry with the EAEU countries. For this reason, the South Korean government should continue to promote investment and technology cooperation in the manufacturing sector with the EAEU countries through a policy of supporting the globalization of South Korean SMEs. As a result, through close economic cooperation

between the Republic of Korea and the EAEU, it is possible to achieve advancement into the markets of third countries – that is, entry into the CIS market.

Thirdly, to expand economic cooperation with the EAEU, the South Korean government urgently needs to invest in the systematic training of trade experts related to the EAEU countries. Recently, the political and economic importance of the Eurasian countries in the international community has been growing. Among them, the EAEU plays a truly central role. Of course, the main countries of the EAEU are under international pressure due to the Russian-Ukrainian conflict, but in the long term, the economic influence of the EAEU at the international level is expected to increase. However, the Republic of Korea is experiencing a shortage of professional personnel related to economic cooperation with the EAEU countries. Considering these realistic problems, the South Korean government needs to promote the training of professional personnel by establishing the Graduate School of Eurasian Economic Policy as a national research institute.

Fourthly, in order to expand investment between the Republic of Korea and the EAEU, the South Korean government should actively promote the establishment of industrial complexes for promising industries in each EAEU country and opening of promising cooperative production facilities between the two countries. In order for South Korean companies to advance into the EAEU countries through fully-fledged direct investment, it is necessary to actively promote the creation of industrial complexes through bilateral economic cooperation. To do this, it is necessary to study the conditions for identifying promising areas for the creation of industrial complexes in each EAEU country and to seek comprehensive measures of industrial cooperation, such as opening of specialized production facilities and transfer of related technologies. In addition, it is important to conclude relevant agreements at the government level to stimulate bilateral investment.

As shown in Table 6, there is a system of basic investment cooperation between the Republic of Korea and the EAEU. The Republic of Korea has signed bilateral investment agreements and double taxation treaties with Belarus, Kazakhstan, Kyrgyzstan and Russia. A bilateral investment agreement with Armenia was signed in October 2018, but a double taxation treaty has not yet been concluded.

Table 6. Investment protection system between the Republic of Korea and the EAEU

Bilateral Investment Agreement	Agreement on the Avoidance of Double Taxation
<ul style="list-style-type: none"> - Bilateral Investment Agreement between the Republic of Korea and Russia – entered into force in July 1991; - Bilateral Investment Agreement between the Republic of Korea and Kazakhstan – entered into force in December 1996; - Bilateral Investment Agreement between the Republic of Korea and Belarus – entered into force in August 1997; - Bilateral Investment Agreement between the Republic of Korea and Kyrgyzstan – entered into force in July 2008; - Bilateral Investment Agreement with Armenia – entered into force in October 2018 	<ul style="list-style-type: none"> - Bilateral Agreement between the Republic of Korea and Russia on Avoidance of Double Taxation – entered into force in August 1995; - Bilateral Agreement between the Republic of Korea and Kazakhstan on the Avoidance of Double Taxation – entered into force in April 1999; - Bilateral Agreement between the Republic of Korea and Belarus on Avoidance of Double Taxation – entered into force in June 2003; - Bilateral Agreement between the Republic of Korea and Kyrgyzstan on Avoidance of Double Taxation – comes into force in November 2013; - There is no Agreement on Avoidance of Double Taxation with the Republic of Korea and Armenia.

Source: *Investment Protection System between the Republic of Korea and the EAEU (2024)*

The South Korean government has set a clear direction for its foreign economic policy to expand the Eurasian trade network and enter new markets by expanding economic

cooperation between the Republic of Korea and the EAEU. From this point of view, foreign economic cooperation between the Republic of Korea and the EAEU can create the following strategic values:

Firstly, the EAEU can become a cooperation partner for the purpose of expanding the Republic of Korea's trade and market diversification. The volume of trade between the Republic of Korea and the EAEU increased from USD16.9 billion in 2015 to USD 27.2 billion in 2019. The Republic of Korea's share in total trade with the EAEU also increased from 1.8% in 2015 to 2.4% in 2019. However, there has been a temporary decline in trade turnover with the EAEU due to economic sanctions following COVID-19 and the military conflict between Russia and Ukraine. However, despite the short-term decline in trade volumes, the potential of the EAEU as a partner in foreign economic cooperation for expanding the trade of the Republic of Korea and diversifying its market will grow in the long term (Zhiwoon, 2020).

Secondly, the EAEU can become a cooperation partner supporting the creation of new drivers of economic growth in the Republic of Korea. Protectionism, which emerged as global economic growth slowed after the 2008 global financial crisis, is further fuelled by the trade conflict between the US and China. Due to the trade conflict between the US and China, the South Korean economy faces the practical problem of reducing its trade dependence on China and the US. In addition, the Government of the Republic of Korea faces the challenge of finding new economic cooperation partners to expand trade in response to growing uncertainty in the global economic situation. For this reason, since 2013, the Government of the Republic of Korea has paid attention to the potential of foreign economic cooperation with Eurasian countries. In order to expand economic cooperation with the EAEU, the government of the Republic of Korea has been promoting a 'policy of expanding foreign economic cooperation with Eurasian countries' since 2017. It is precisely the main members of the EAEU that play the key role in Eurasia.

Thirdly, the EAEU can become a partner for cooperation in expanding the niche export market of the Republic of Korea. Russia, the leader of the EAEU, is actively seeking to expand the size of the EAEU. Accordingly, the issue of Tajikistan's accession to the EAEU has been under consideration since 2016. In addition, the EAEU signed a free trade agreement with Vietnam in May 2015, which entered into force in October 2016. Following this, the EAEU aims to expand the FTA by including ASEAN. In addition, the EAEU is considering the possibility of concluding FTAs with China, India, Egypt, Iran, Mongolia, Syria, Pakistan, Jordan, Albania and Serbia. Thus, in the long term, the EAEU's influence in the area of international trade is expected to increase further. In addition, the scope of international cooperation of the EAEU is expected to expand beyond the Eurasian region to the Middle East and the Asia-Pacific region. Given the potential of the EAEU, in the long term, during economic cooperation between the Republic of Korea and the EAEU, the latter can serve as a good cooperation partner for South Korean companies when entering niche markets in Eastern Europe and the Middle East.

Conclusion

The main direction of expansion and intensification of economic cooperation between the Republic of Korea and the EAEU is the building of synergy by strengthening industrial

cooperation between the two countries. To achieve these key goals of economic cooperation between the Republic of Korea and the EAEU, the South Korean government needs the following promotion strategies.

Firstly, it is necessary not only to understand the main direction of industrial policy of the EAEU countries as a whole, but also to comprehensively understand the main directions of industrial policy of each EAEU member state in order to find practical ways of cooperation between the Republic of Korea and the EAEU. This is due to the fact that the industrial structure and level of economic development of the EAEU countries vary greatly.

Secondly, in order to determine the specific direction of industrial cooperation policy between the Republic of Korea and the EAEU, it is necessary to conduct a systematic analysis of promising industrial areas and cooperation plans between the two countries. The EAEU countries as a whole have weak international industrial competitiveness. For this reason, the South Korean government needs to prioritize industrial cooperation focused on IT and high-tech industries that really need technical support from the EAEU countries. In addition, in order to intensify economic cooperation between the Republic of Korea and the EAEU, it is desirable to develop industrial cooperation based on joint production of products and joint market development programs.

Thirdly, in order to promote effective industrial cooperation between the Republic of Korea and the EAEU, it is necessary to establish a specific operating system and operating institution between the two sides. To intensify industrial cooperation between the Republic of Korea and the EAEU, it is important to create an organic system of cooperation at the public and private levels. To achieve this, it is necessary to unify the official system of cooperation through the creation and regularization of the Republic of Korea-EAEU Industrial Cooperation Committee.

Fourthly, a system of financial support for the development of economic cooperation between the Republic of Korea and the EAEU should be created at the level of the South Korean government. Among the measures to intensify economic cooperation between the Republic of Korea and the EAEU, an important role is played by the promotion of industrial cooperation projects through ODA projects. In addition, the participation of South Korean SMEs is important for expanding economic cooperation between the Republic of Korea and the EAEU. For this, active financial support from the South Korean government is needed. First of all, it is important to establish a Korea-EAEU investment financing platform to provide companies with the opportunity to directly participate in Korea-EAEU industrial cooperation projects.

Looking at the industrial structure of the EAEU countries, one can find that it does not compete with the industrial structure of the Republic of Korea, but rather exhibits complementary characteristics. This is due to the fact that most EAEU countries have an industrial structure focused on raw materials and energy. That is, mutually complementary relations are formed between the Republic of Korea and the EAEU countries in most industries. Therefore, it is clear that the economic benefits that the Republic of Korea and the EAEU can obtain from expanding trade outweigh the losses. This fact demonstrates the need to achieve mutual economic benefits through expanded industrial cooperation between the two countries.

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