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# DEVELOPMENT OF FOREIGN TRADE RELATIONS BETWEEN KOREA AND RUSSIA

Jehoon Park

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# I. Introduction

Since the normalization of diplomatic relations between Korea and the Soviet Union in 1990, significant developments have taken place in terms of economic cooperation between the two countries. Nevertheless, the disintegration of the Soviet Union has proven to be a major challenge for Korea. A newcomer to the Soviet market, Korea has had to familiarize itself with Russia's new economic mechanism, including its new foreign trade system, soon after it had grown accustomed to the old Soviet system. This has not been an easy task. Political tensions in Russia between reformists and conservatives have worsened despite the demise of the CPSU (Communist Party of the Soviet Union). Furthermore, inconsistent economic reform policies have caused Russia's unstable economic situation to further deteriorate. As a result, since 1992, it has become increasingly difficult to collect precise data on foreign trade with the former Soviet Union. Although the Economic Cooperation Loans for Russia initially provided a breakthrough for economic cooperation between Korea and Russia, it has now become an issue of dispute between the two countries.

The purpose of this paper is to evaluate the current state and future prospects of economic cooperation between Korea and Russia, focusing on foreign trade relations. In the first part of this paper, the current state of reforms in Russian foreign trade will be summarized. The second part will analyze the current state of Korea-Russian trade, including trends both general and those based on commodity composition. Finally, the problems and prospects of trade between the two countries will be discussed.

# II. Liberalization of Russian Foreign Trade

## II.1 Reforms of Russian Foreign Trade System

Since the collapse of the CMEA (the Council for Mutual Economic Assistance) system and the Soviet Union, Russia's system of foreign trade has undergone dramatic changes. Change has mainly been in the direction of liberalization and decentralization of foreign trade. However, due to the lack of hard currencies and a deteriorating economy, Russia has frequently relied on restrictive and protective foreign trade policies.

Export Policies

Russia's exports are restricted through quotas and licensing. Quotas are applied to 17 major export goods entering the Former Soviet Union (FSU) and non-FSU countries. These quotas are determined by the Ministry of Economy based on production projections and the needs of the domestic economy. They are distributed to the industrial ministries which, in turn, distribute them to enterprises in different regions. Quotas for centralized exports, which accounted for some 20 percent of all projected exports to non-FSU countries in 1993, are distributed to the Ministry of Foreign Economic Relations, which has the choice of auctioning them off or passing them on to since specific enterprises. In practice, few quotas are actually auctioned on the and February 1, 1993, on exports to other FSU states, with the exception of government exports, in accordance with bilateral trade agreements domestic commodity exchange.

The Ministry of Foreign Economic Relations issues export licenses, which apply to about 70 percent of all exports. Since June 1992, exporters of "strategic" goods have required a special license, which prevents inexperienced exporters from trading and ensures the repatriation of export proceeds and the payment of export taxes. Since September 1992, individual export contracts for these goods have been subject to registration. The definition of strategic goods has broadened over time; it now includes important raw materials, energy, and precious metals.

Export taxes are applied to about 70 percent of the value of exports to non-FSU countries. Since July 1992, taxes have also been levied on exports to the Baltic states,. purportedly to s in app In practice, there have been delays lying the export tax on exports to some of the other FSU countries. The tariff is levied in ECUs and, on average, amounts to about 20 percent of the export value, and about 30 percent for barter exports and exports not subject to the surrender requirement. The tariff is payable in rubles or in foreign currency and is levied at the time the goods cross the border. However, a delay of 60 days is permitted if a bank guarantee for the subsequent payment is provided.[1]

Under the Soviet regime, all oil exports, for instance, were centralized. After the disintegration of the Soviet Union, however, state operations accounted for $12.6 billion of Russian exports, or 29 percent of total exports in 1993. In these operations, state foreign trade associations (FTOs) buy domestically produced goods in rubles and then resell the goods abroad. The government thereby accrues the convertible currency. Currently, about two-fifths of Russian exports of crude oil are carried out by the state. However, over the course of 1993, the government attempted to recentralize exports tem the flow of illegal exports. According to current, and dubious, government rhetoric, during 1994 centralized exports will be cut to one-third the level of 1993.

Export quotas are relied upon less as a regulatory tool than in the past. However, selected industries, mainly raw materials producers, are still subject to export quotas, the energy sector being the most notable. However, oil and natural gas exporters are exempt from surrendering the convertible currency earned on their share of exports; the state earns

1 IMF(1993a), *Russian Federation Recent Economic Developments-Supplementary Information*, April 8, pp.10-11.

hard currency from these commodities through its own centralized exports.

In a positive step, Russian officials announced its intention to abolish direct state exports as of July 1, 1994. The state would then rely increasingly upon export duties for revenue. Russia plans to increase its oversight of customs posts to ensure better enforcement of tax collection. While this step would be a positive move to decrease the role of the state, the announcement is only an announcement and therefore far from a foregone conclusion.[2]

Import Policies

Russia's imports are virtually free of quotas and licensing restrictions. Licenses are required for only a few products, for health and

[2] Plan Econ (1994a), *Trade and Finance Review*, April, Number 4, pp. 17-18.
President Yeltsin's decree cancelling export quotas as of July 1 has not worked, since quotas have stayed under another decree. In this new one, Yeltsin left unchanged quotas and privileges for exporters of oil. The new decree was followed by a government ordinance, which left in place licenses and quotas for the export of arms, dual-purpose commodities, pharmaceuticals, and precious metals. The government also introduced licenses for textile, chemical fertilizers, and aluminum, as insisted by the EU. In all other cases, licenses were replaced with mandatory registration of export contracts at the Ministry of Foreign Economic Relations (MFER) (*ECOTASS Weekly*, July 18, 1994, p.18).

environmental reasons. There are no limitations on the purchasing of foreign exchange for imports.

An import tariff amounting to 15 percent on most goods was introduced on September 1, 1992. Imports of food and medicine, as well as the raw materials for their production, and a few other goods are exempt from this tariff. Imports from the least-developed countries are exempt; the tariff on imports from other developing countries has been reduced by half. Imports from Armenia, Azerbaijan, Belarus, Estonia, Kazakhstan, Moldova, Tajikistan, Turkmenistan, and Uzbekistan, which have or are in the process of negotiating so-called free trade agreements with the Russian Federation, are exempt from the import tariff, even before these agreements become effective. Imports from Ukraine (for which trade takes place under the so-called Most-Favored-Nation Agreement) are also exempt according to a bilateral agreement.[3]

On the import side, there is further evidence of rising protectionism. In early 1992, the government suspended import tariffs. In July 1992, however, the government reintroduced tariffs at an average rate of 5 percent, and raised them further to 15 percent in September. The tariffs were originally imposed to raise revenue. Near the end of

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[3] IMF (1993a), *Op. cit.*, p.11.

1993, however, protection from competition abroad became the primary cause for rising import duties on selected goods. In December 1993, Chernomyrdin increased import duties on alcohol and tobacco. Duties levied on automobiles shot up dramatically, to between 35 and 70 percent. On March 15, 1994, the Russian government raised import tariffs by an average of 5 percent, bringing the average tariff to countries with most favored nation status to around 20 percent.[4]

Reaction by Russians to the latest rise in import duties has been mixed. Producers who will benefit from the measures are obviously pleased about their improved competitive position. On the other hand, consumers are increasingly aware that they will bear the brunt of the tax in the form of increased prices. The duty-free status of trade with other CIS members may undermine the ever-increasing tariffs. As tariffs rise, importers may purchase goods from abroad through CIS intermediaries in order to circumvent the taxes.[5]

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[4] This new tariff system was suspended temporarily and put into effect again since July 1 of this year.

[5] Plan Econ, *Op. cit.*, p. 18.

## II. 2 Trends in Russian Foreign Trade

### Trends in Foreign Trade during 1991-1993

Russia's foreign trade turnover fell dramatically from 1991 to 1992. During 1986-90, foreign trade turnover increased at an average annual rate of 6.1 percent. During the period from 1991-20, turnover contracted by an average of 30 percent each year. Official figures for the 1993 suggest that foreign trade declined slightly last year.

**<Table 1> Russia's Foreign Trade Trends***

(unit: US$ billion)

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---|---|---|---|---|---|---|---|---|
| Export | 57.6 | 65.2 | 70.6 | 74.2 | 74.7 | 71.1 | 50.9 | 42.4 | 43.0 |
| Import | 56.4 | 60.0 | 63.2 | 72.2 | 78.0 | 81.8 | 44.5 | 37.0 | 27.0 |
| Balance | 1.2 | 5.2 | 7.4 | 2.0 | -3.3 | -10.7 | 6.4 | 5.4 | 16.0 |

Source: Goskomstat of Russia.

* Inter-republican trade with CIS countries are excluded.

Officially reported Russian exports (not including inter-republic deliveries) amounted to US$42.4 billion in 1992. The dollar value of Russian exports declined by 17 percent, from US$50.9 billion in 1991.

Russian imports totalled US$37.0 billion in 1992. The dollar value of Russian imports reportedly declined by 17 percent, from US$44.5 billion in 1991. Imports were impeded by the restrictive trade regime. Enterprises had difficulty buying convertible currency from the Russian Central Bank and centralized imports were limited by the government's inability to "collect" export revenues. Russia officially registered a US$5.4 billion trade surplus in 1992, down from US$6.4 billion in 1991.

The most notable development in Russia's external accounts in 1993 was its huge $16 billion trade surplus. The surplus, much higher than the $5.4 billion surplus recorded in 1992, resulted from a sharp contraction (27 percent in dollar terms) in officially recorded imports. Considering the fact that Russians paid only $2.5 - 3.5 billion in debt service in 1993, the disposition of this surplus remains a mystery. Some of it was used to build up reserves, primarily abroad, though domestically as well. However, the real trade surplus was probably not as high as $16 billion due to underreporting and statistical errors.

We also must note the likelihood that actual Russian imports were much higher than reported. Goods are increasingly being imported by private enterprises, trading companies and individuals, all of which have a large incentive to underreport imports in order to evade taxes. The customs office, from which the data are obtained, is currently attempting to upgrade its reporting system to capture more external private trade and "external" imports coming from other former Soviet Republics. On the export side, customs officials probably reported a much higher percentage of actual deliveries abroad; exports of bulk commodities such as raw materials and energy products are more easily tracked by state officials. Therefore Plan Econ estimates the surplus at a lower level of 14.7 billion.

Russia is undergoing the same shift in the direction of trade witnessed throughout the former CMEA countries - increased trade with the developed West, and a reduced share of trade with the formerly socialist countries. The developed West accounts for the largest share of regional trade by far, followed by formerly socialist countries, and lastly by developing countries.

In 1993, exports to the developed West rose 1.2 percent to $25.0 billion. The share of the developed West in Russian exports rose from 56.5 percent in 1991 to 58.1 percent in 1993. Germany remains the largest purchaser of Russian exports, despite the fact that in 1993, the value of Russian exports to Germany fell 3 percent to $5.8 billion. Italy, behind China, ranks as the third largest market for Russian goods. However, Italian imports of Russian goods fell 7 percent in 1993 to $2.8 billion. Exports to Germany, Italy, United Kingdom, and France all fell in

1993. However, Russia managed to increase exports to Japan (up 30 percent to $2.1 billion), the United States (up 167 percent to $2 billion), and Switzerland (up 68 percent to $1.5 billion).

Exports to developing countries rose 39 percent in 1993 to $6.0 billion, or 14.0 percent of total exports. The higher exports in 1993 partially recaptured the sharp 37 percent decline in exports to these regions registered in 1992. Renewed ties with India, including a long-term rescheduling of Indian trade debts to Russia, helped boost exports to this region. The share of the developing countries in Russian exports has not changed much since 1991.

Trade with formerly socialist countries continues to contract. In 1993, exports to this region amounted to $12 billion, which is 5 percent lower than deliveries in 1992. Since 1990, when exports to formerly socialist countries amounted to an estimated $31.0 billion, exports have fallen by almost two-thirds. The most notable development in deliveries to this region in 1993 was the recovery of exports to former CMEA states (Eastern Europe, Cuba, Vietnam, and Mongolia). Exports to China, North Korea, Laos, and the former Yugoslav states declined 3.5 percent.

On the import side, the developed West lost some of its dominant market share. The share of the developed West in Russian imports fell from 64.5 percent in 1992 to 60.7 percent in 1993. The decline can be attributed mostly to much lower grain imports from the West. Centralized agricultural imports, mostly purchased using Western credit facilities, dropped more than 50 percent from the levels of 1992. While Russia had budgeted nearly $6.5 billion for such purchases in 1993, it is unlikely that such imports reached $3 billion for the full year. Imports of grain fell from 28.9 million tons ($4.2 billion) in 1992 to just 11.1 million tons ($1.6 billion) in 1993.

Purchases from developing countries fell 39 percent to $2.9 billion in 1993, far more than the 27 percent decline in total imports. A sharp decline in computer and telecommunications goods purchases from Singapore caused imports from that country to decline 85 percent to just $45 million during the first half of 1993. Other countries that sent far less to Russia during the first half of 1993 were: Egypt (down 76 percent to $32 million); Argentina (down 61 percent to $24 million); and Lebanon (down 98 percent to $1.2 million, from $63.9 million). On the other hand, Russian consumers' demand for cheap Afghan textiles and shoes caused imports from Afghanistan to jump eleven-fold from $56.4 million to $634 million.

The interesting development in imports from formerly socialist countries during 1993 was the shift away from former CMEA and toward

China in particular. Imports from former CMEA members contracted about 40 percent in 1993, while imports from other formerly socialist countries (China, North Korea, Laos, and Serbia) doubled to $5 billion. Imports from China increased 128 percent in 1993 to $4.1 billion due mainly to increased imports of food products and cheap consumer goods.

The share of energy and raw materials in deliveries abroad has been on the rise since 1990. In 1993, these exports accounted for 78.3 percent of Russian exports, about the same as in 1992. The share of fuels in total exports slipped from 49.9 percent in 1992 to 45.8 percent in 1993, while the volume of energy exports increased in 1993–crude oil and related products were up 25.5 percent, hard coal up 6.6 percent, and natural gas up 9.1 percent. However, this increase did not offset officially reported declines in prices; exports of fuels in 1993 fell 6.9 percent in dollar terms to $19.2 billion.

Exports of metals and other raw materials jumped dramatically in 1993. That year, Russian aluminum export increased by 60 percent in volume terms to 1,562,000 tons. The sharp decline in aluminum prices however, from $0.57 per pound in 1992, to $0.49 per pound by the end of 1993, limited the rise in the dollar value of aluminum exports, which earned $1.4 billion.

Exports of machinery and equipment continue to contract because Russian producers simply cannot find buyers for their low-quality goods. In 1993, machinery and equipment exports amounted to $2.9 billion, a 22.5 percent decline in dollar terms. This commodity group has suffered the sharpest declines. Since 1991, machinery and equipment exports have fallen 45 percent in dollar terms. Russian arms exporters continue to deplete their stocks; arms exports are estimated at $4.3 billion in 1993, up slightly from $4.0 billion in 1992.

Virtually all categories of Russian imports experienced large declines during 1993. This was particularly the case for agricultural commodities–grain imports of 11.1 mmt in 1993 were down 62 percent from the 28.9 mmt imported in 1992; meat imports were down 73 percent. By official accounts, imports of manufactured consumer products also fell significantly from 1992. Declines in food and consumer goods were mitigated by the inclusion of humanitarian aid, which we assume was mainly comprised of food and medicine.

**<Table 2> Foreign Trade with Russia by Group of Countries (1993)**

(unit: US$ billion, %)

| | Exports | | Imports | |
|---|---|---|---|---|
| | Performance | Share | Performance | Share |
| Developed Market Economies | 25 (1.2)* | 58.1 | 16.4 (-31)* | 60.7 |
| Developing Countries | 6 (39) | 14.0 | 2.9 (-39) | 10.7 |
| Other Countries (Former CMEA, Other CPEs) | 12 (-5) | 27.9 | 7.7 (-11) | 28.5 |
| Total | 43 (1.4) | 100 | 27 (-27) | 100 |

Source: Goskomstat of Russia.

* Indicates % change over the previous year.

**<Table 3> Russia's major trading partners (1993)**

(unit: US$ billion, %)

| Country | Russia's Exports | Russia's Imports |
|---|---|---|
| | performance (% change over the previous year) | performance (% change over the previous year) |
| Total | 43 (1.4) | 27 (-27) |
| Developed market Economies | 25 (1.2) | 16.4 (-31) |
| Germany | 5.8 (-3) | 6.6 (-4) |
| Italy | 2.8 (-7) | 1 (-66) |
| Japan | 2.1 (30) | 1.5 (-11) |
| Great Britain | 2.2 (-8) | - (-) |
| France | 1.8 (-13) | 1.2 (-10) |
| U.S.A. | 2 (167) | 1.5 (-48) |
| Developing countries | 6 (39) | 2.9 (39) |
| China | 3.3 (18) | 4.1 (128) |

Source: Goskomstat of Russia.

Imports of intermediate goods also fell sharply. Imports of ferrous metal products were down 56 percent, while imports of machinery and equipment were down 48 percent by official statistics. Russia imported only $274 million in fuels in 1993. These purchases were primarily made by Russian ships, planes and trucks filling up abroad.[6]

Recent Trends in Foreign Trade in the First Quarter of 1994

In the first three months of 1994, total Russian exports amounted to US$9.1 billion, up US$400 million from the same level a year ago, according to the Russian Ministry of Foreign Economic Relations (MFER). Nearly 40 percent of the period's volume was achieved in March.

Export supplies of crude oil increased by 3.1 percent to 18.5 million tons, oil products by 14.8 percent (to 6.6 million tons), natural gas by 11.8 percent (to 28.4 billion cubic meters). Analysts of MFER note, however, that the 1993 drop in world prices for fuels cut revenues from exports of crude oil and oil products by 17 and 20 percent, respectively.

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[6] Plan Econ, *Op. cit.*, pp.3-6.

Russia is exporting more actively to the industrialized countries (US$5.5 billion in the first quarter of 1994, up 8.4 percent from the same period a year ago).

In the meantime, exports to developing countries also grew and amounted to US$1.3 billion, though the volume of exports to the countries of the former CMEA dropped (to US$1.6 billion), as did exports to China, North Korea, Laos, former Yugoslavia (to US$640 million) and the Baltic countries (to US$179 million).

In the first quarter, total Russian imports were US$3.9 billion, dropping 24 percent from the first three months of 1992. As a result, the positive trade balance of the country amounted in the first quarter to US$5.4 billion.

Industrialized countries remained major suppliers to the Russian market with two-thirds of all imports (US$2.7 billion). Imports from developing countries shrank significantly (by 61.6 percent). At the same time, imports from the former CMEA countries decreased by over 50 percent (to US$325 million); from China, North Korea, Laos and former Yugoslavia by 45 percent (to US$412 million).

In the first quarter of 1994, the Baltic countries exported to Russia 17 percent less than a year ago for a total of US$18.5 million. Again, about 40 percent of imports were supplied in March.[7]

[7] *ECOTASS Weekly*, May 16, 1994, p.3.

# III. Korea-Russian Trade Trends

## III. 1 General Trends

Trade between Korea and the former Soviet Union increased very rapidly until 1991. The average annual growth rate of trade between the two countries was 68.1% for the period of 1988-1991. In 1988 the growth rate peaked at 193.3%. Since then the trade volume has continued to expand, although with slowing growth rates until 1991.

It is evident that the collapse of the Soviet Union made a significantly negative impact on trade relations between the two countries. In 1992, the trade volume between Korea and the FSU shrank by 28.5% compared to the previous year. In particular, the volume of Korea's exports to the FSU decreased much more than the volume of imports from FSU. As it turned out, the total trade volume between Korea and Russia in 1992 reported by Russian sources was greater than the total trade volume between Korea and the FSU in 1992 reported by Korean sources. Korea did not produce any detailed statistics on bilateral trade between Korea and Russia (not the FSU) for 1992.

During 1993 the trade volume between Korea and Russia amounted to US$1.575 billion, a sharp increase of 64.6% over the same period last year. This can mostly be attributed to the huge increase of 377.8% in Korean imports from Russia, while Korean exports to Russia recorded a drop of 20%[8]. This trend continued until the first half of 1994. It may, therefore, be argued that trade between Korea and Russia is now recovering from the slump caused by the collapse of the Soviet Union. This is actually rather encouraging, as most of the trade between the two countries is being conducted on a private level, rather than on a government level as it was in the past.

**<Table 4> Korea's Exports and Imports to the Former Soviet Union and Russia***

(unit: US$1,000)

| | 1988 | 1989 | 1990 | 1991 | 1992 | 1992** | 1993 | 1994 (Jan.-June) |
|---|---|---|---|---|---|---|---|---|
| Exports | 26,021 (49.4)+ | 207,746 (698.3) | 519,147 (149.9) | 625,080 (20.4) | 364,609 (-41.7) | 753,100 | 601,171 | 428,381 (76.2) |
| Imports | 178,312 (33.9) | 391,700 (119.6) | 369,652 (-5.6) | 577,293 (56.1) | 494,533 (-14.3) | 203,800 | 973,821 | 575,581 (43.1) |
| Trade Balance | -152,291 | -183,954 | 149,495 | 47,787 | -129,924 | 549,300 | -373,650 | -147,200 |
| Total | 204,333 (35.7) | 599,446 (193.3) | 888,799 (48.2) | 1,202,373 (37.6) | 859,142 (-28.5) | 956,900 | 1,575,992 (83.4) | 1,003,962 (59.7) |

Note: * The figures in the right three columns represent Korea's trade with Russia.

** Figures from Goskomstat of the Russia.

+ Indicates the percentage change over the same period in the previous year.

Source: Korea Foreign Trade Association, Goskomstat of the Russian Federation.

8 In this case we used the figure from a Russian source for 1992 because the figure from the Korean side does not reflect correct performances.

According to Table 5 and 6, Korea's share in total volume of foreign trade with the FSU has been less than 1%, although this share increased considerably in 1991. Korea's share in Russian trade, however, increased to the level of 2% in 1993.

As seen in Table 7, the share of trade with the FSU and Russia has been less than 1% in terms of Korea's total foreign trade until 1993. In the first half of 1994 the share increased up to the 1.1% level.

**<Table 5> The Share of Korea in Total Volume of FSU Foreign Trade**

(%)

| | 1990 | 1991 | 1992 |
|---|---|---|---|
| Total | 0.39 | 0.88 | 0.81 |
| Export | 0.35 | 0.85 | 0.9 |
| Import | 0.43 | 0.9 | 0.71 |

Source: Calculated from data of Goskomstat of CIS and Korea Foreign Trade Association.

**<Table 6> The Share of Korea in Total Volume of Russia's Foreign Trade**

(%)

| | 1992 | 1993 |
|---|---|---|
| Total | 1.13 (1.26)* | 2.0 |
| Korea's Export | 1.02 (2.12) | 1.92 |
| Korea's Import | 1.21 (0.49) | 2.11 |

Source: Calculated from data of Goskomstat of Russia and Korea Foreign Trade Association.

Data from Plan Econ was used as denominator excluding inter-republican trade.

* indicates shares using figures from Goskomstat of Russia.

**<Table 7> The Share of Trade with the Soviet Union & Russia in Total Volume of Korea's Foreign Trade**

(%)

| | 1990 | 1991 | 1992* | 1993* | 1994 (Jan.-June) |
|---|---|---|---|---|---|
| Total | 0.66 | 0.78 | 0.60 | 0.95 | 1.10 |
| Export | 0.74 | 0.77 | 0.98 | 0.73 | 0.98 |
| Import | 0.57 | 0.80 | 0.25 | 1.16 | 1.22 |

Source: Calculated from data of Korea Foreign Trade Association.

* Figures for trade with Russia.

## III. 2 Trends in Korea-Russian Trade by Commodity Composition

In 1989, when economic cooperation between the two countries were normalized, Korea's major export items to the Soviet Union were textiles and consumer goods. Since 1990, however, ships and electronics have become relatively more important.

In 1991, electrical appliances and electronics dominated Korea's exports to the Soviet Union, while the importance of chemical industrial products, machinery, and steel products grew substantially. At the same time, textiles and ships diminished in importance. In 1992, Korea's exports to the FSU of consumer goods, such as textiles, TV sets, motor cars, and tires, rapidly increased, while its exports of steel products and machinery to these countries dropped drastically. Korea's exports to Russia (not the FSU) in 1992 were concentrated in the area of consumer goods, such as stoves, clothes, TV sets, refrigerators, and videos. In 1993, Korea exported more sophisticated consumer goods to Russia, including electronics and motor cars.

## <Table 8> Trends of Korea's Exports to the Former Soviet Union by Commodity, 1990-1994.

(unit: US$ 1,000)

| Ranking | 1990 Description | 1990 Value | 1991 Description | 1991 Value | 1992 Description | 1992 Value | 1993 Description | 1993 Value | 1994 (Jan.-June) Description | 1994 (Jan.-June) Value |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 8901* Ships and boats | 176,437 | 8521 Video apparatus | 66,920 | 5402 Synthetic filament yarn | 35,533 | 8528 Television receivers | 82,871 | 8528 Television receivers | 94,821 |
| 2 | 8521 Video apparatus | 65,566 | 8901 Ships and boats | 47,982 | 8528 Television receivers | 24,542 | 8703 Motor cars and other motor vehicles | 43,626 | 8523 Prepared unrecorded media for recording | 39,995 |
| 3 | 6115 Tights,stockings,socks | 24,920 | 7209 Flat-rolled products of iron or non-alloyed steel | 47,776 | 8703 Motor cars and other motor vehicles | 19,935 | 8521 Video apparatus | 41,279 | 8521 Video apparatus | 35,558 |
| 4 | 8501 Electric motors | 24,613 | 6403 Footwear | 30,623 | 8521 Video apparatus | 13,997 | 8523 Prepared unrecorded media for recording | 30,972 | 8517 Electrical apparatus for line telephones or line telegraphs | 27,568 |
| 5 | 7209 Flat-rolled products of iron or non-alloyed steel | 20,772 | 8528 Television receivers | 26,598 | 8901 Ships and boats | 13,170 | 8418 Refrigerators, freezers & equipment | 30,791 | 2710 Prepared petroleum oils | 21,310 |
| 6 | 8523 Prepared unrecorded media for recording | 16,424 | 3903 Polymers of styrene | 24,041 | 8702 Public-transport motor vehicles | 12,838 | 8901 Ships and boats | 26,469 | 8418 Refrigerators, freezers & equipment | 14,456 |
| 7 | 5509 Yarn of synthetic staple fibres | 16,151 | 8540 Thermionic, photo-cathode valves and tubes | 20,477 | 8507 Electric accumulators | 12,782 | 8517 Electrical apparatus for line telephones and line telegraphs | 15,590 | 8471 Auto-data processing machines | 13,962 |
| 8 | 8540 Thermionic, photo-cathode valves and tubes | 16,141 | 8516 Microphones and speakers, electric amplifiers | 19,273 | 8516 Hair dryers, electric irons | 12,220 | 8471 Auto-data processing machines | 15,055 | 2202 Water & non-alcoholic beverages | 13,695 |
| 9 | 8528 Television receivers | 12,814 | 8501 Electric motors | 19,203 | 5902 Tyre cord fabric of nylon | 11,648 | 6110 Jerseys, pullovers, cardigans, waistcoats | 14,698 | 1905 Bread, pastry, cakes, biscuits | 8,029 |
| 10 | 3401 Soap and detergent | 11,624 | 7219 Flat-rolled stainless steel | 14,592 | 6403 Footwear | 11,387 | 4203 Clothing and accessories | 14,496 | 8703 Motor cars and other motor vehicles | 7,457 |

Source: Korea Foreign Trade Association.

* Numbers indicate codes of HS.

## <Table 9> Trends of Korea's Imports from the Former Soviet Union by Commodity, 1990-1994.

(unit: US$ 1,000)

| Ranking | 1990 | | 1991 | | 1992 | | 1993 | | 1994 (Jan.-June) | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Description | Value | Description | Value | Description | Value | Description | Value | Description | Value |
| 1 | 7201 Pig iron and spiegeleisen | 67,022 | 0303 Frozen fish | 85,556 | 0303 Frozen fish | 73,656 | 7207 Semi-finished products of iron | 185,896 | 7207 Semi-finished products of iron | 110,970 |
| 2 | 2701 Coal | 57,730 | 7502 Unwrought nickel | 63,366 | 7201 Pig iron and spiegeleisen | 48,780 | 7201 Pig iron and spiegeleisen | 135,095 | 0303 Frozen fish | 82,212 |
| 3 | 0303 Frozen fish | 36,465 | 7201 Pig iron and spiegeleisen | 54,795 | 7207 Semi-finished products of iron | 37,221 | 0303 Frozen Fish | 104,550 | 7201 Pig iron and spiegeleisen | 43,870 |
| 4 | 7601 Nickel mattes & other nickel products | 31,423 | 7403 Refined copper & copper alloys | 37,080 | 2709 Petroleum oils & oils obtained from bituminous minerals, crude | 32,823 | 5201 Cotton, not carded or combed | 68,577 | 7216 Angles, shapes of iron on non-alloy steel | 38,899 |
| 5 | 2710 Prepared petroleum oils | 19,589 | 0304 Fish fillets and other fish meat | 36,383 | 0304 Fish fillets and other fish meat | 24,336 | 4403 Wood in rough | 44,009 | 7601 Nickel mattes & other nickel products | 32,354 |
| 6 | 7207 Semi-finished products of iron | 14,848 | 7601 Nickel mattes & other nickel products | 26,750 | 5201 Cotton,not carded or combed | 22,777 | 7601 Nickel mattes & other nickel products | 43,061 | 5201 Cotton, not carded or combed | 27,881 |
| 7 | 4703 Chemical wood pulp,soda or sulphate | 14,430 | 2701 Coal | 25,049 | 3104 Mineral,chemical fertilizer,potassic | 22,514 | 2709 Petroleum oils & oils obtained from bituminous minerals, crude | 32,807 | 7208 Flat-rolled products of iron | 20,806 |
| 8 | 4002 Synthetic rubber & factice | 12,143 | 7208 Flat-rolled products of iron | 23,546 | 2814 Ammonia | 19,972 | 2701 Coal | 28,705 | 4403 Wood in rough | 18,452 |
| 9 | 0304 Fish fillets and other fish meat | 12,021 | 4002 Synthetic rubber & factice | 19,431 | 4002 Synthetic rubber & factice | 19,371 | 4002 Synthetic rubber & factice | 25,628 | 4002 Synthetic rubber & factice | 16,678 |
| 10 | 3102 Mineral,chemical fertilizer,nitrogen | 11,100 | 7207 Semi-finished products of iron | 18,669 | 7601 Nickel mattes & other nickel products | 17,291 | 4703 Chemical wood pulp,soda or sulphate | 23,633 | 5403 Artificial filament yarn minerals,crude | 15,226 |

Source: Korea Foreign Trade Association.

Korea imported mainly raw materials, such as coal, timber, fur and raw cotton from the FSU countries. In 1990, Korea's imports from the Soviet Union decreased in almost all areas except those of coal, nickel, iron products and synthetic rubber. Thus, industrial raw materials and fuels constituted 80% of Korea's imports from the Soviet Union. Korea's major import items from the Soviet Union in 1990 were pig iron, coal, frozen fish, nickel and petroleum oil.

In 1991, raw materials and semi-processed products constituted more than 90% of Korea's imports from the Soviet Union. Among marine products, minerals, and various semi-processed products, minerals were the most important imports. In 1992, Korea's imports from the FSU countries decreased in many areas, but Korea's imports of iron products, petroleum, cotton, chemical fertilizers, and ammonia soared compared to the previous year, while imports of pulp and timber increased slightly.

Korea's imports from Russia have a different composition from the imports from the FSU countries. Korea imported mostly iron, copper cotton, nickel, wood and titanium from Russia in 1992. In 1993, imports of coal and petroleum increased.

Russian exports to Korea in 1993, were dominated by raw materials, with 98.4% of the total. Metal items accounted for 44.8%

(US$430 million); products from the fishing and agricultural sectors for 23.4% (US$282 million); chemical products for 14.6% (US$140 million); and minerals for 8.4% (US$81 million). Despite a 250% increase in supplies of machinery and equipment from the level of 1993, the share thereof did not exceed 1.6% of the total.

A major peculiarity of Russian imports is a visible switch from purchasing capital goods (vessels, components for the Assembly of electronics, raw materials for chemical and textile industries) to importing finished consumer goods (cars, home electronic appliances, clothing). About 45% of the total imports from Korea in 1993 have been attributed to products of electric and electronic industries (US$238 million), while other technical commodities (mostly vessels, cars, and spare parts) amounted to 20.2% (US$107 million), textiles to 17.9% (US$95 million) and foodstuffs to 4.7% (US$$25 million).[9]

Table 10 illustrates Korea's competition in the major import markets of Russia. In the market of plastics and articles, Germany was the frontrunner, with a 34% share, while Korea's share was 7.6% in 1992. In the apparel and clothing market, which is one of Korea's major exports, China had the largest share, while Korea's share was only 3% in 1992. During the first half of 1993, Korea's share shrank to 0.9% in

[9] *ECOTASS Weekly*, June 13, 1994, p.22.

## <Table 10> Russia's Imports by Commodities and Countries of Origin

(unit: US$ million)

| HS CODE | MAIN COMMODITY GROUPS | Jan.-Sep. 1992 VALUE | Jan.-Dec. 1992 VALUE | Jan.-June 1992 | Jan.-June 1993 |
|---|---|---|---|---|---|
| 2710 | **Petroleum oils and oils obtained from bituminous minerals, other than crude (thos. tons)** | 160 | 267.0 | | |
| | Cape Verde | 4.7 | 5.7 | | |
| | Cuba | 4.8 | 5.1 | | |
| | Cyprus | 8.9 | 9.1 | | |
| | India | 14 | 18.3 | | |
| | Japan | 7.5 | 12.7 | | |
| | Pakistan | 4.2 | 4.2 | | |
| | Singapore | 11 | 26.2 | | |
| | South Korea | 2.8 | 3.7 | | |
| | United Arab Republic | 11 | 16.7 | | |
| | United Kingdom | 3.2 | 4.0 | | |
| | United States | 12 | 23.4 | | |
| 39 | **Plastics and articles thereof** | 455 | 595.0 | 337 | 98.1 |
| | Germany | 184 | 202.1 | 156 | 38.8 |
| | Italy | 49 | 59.4 | 29.7 | 4.2 |
| | Japan | 12 | 15.8 | 10.0 | 10.0 |
| | Netherlands | 16 | 19.0 | | |
| | South Korea | 44 | 45.5 | 35.0 | 0.3 |
| | Spain | 35 | 40.4 | | |
| 61 | **Articles of apparel and clothing accessories, knitted or crocheted** | 464 | 655.0 | 292 | 151 |
| | Austria | 41 | 64 | 29.3 | 5.1 |
| | China | 74 | 136.2 | 44.9 | 48.2 |
| | Germany | 31 | 38.4 | 24.7 | 7.7 |
| | India | 30 | 31.5 | 24.2 | 11.5 |
| | Italy | 24 | 90.1 | 12.7 | 5.8 |
| | Japan | 20 | 19.1 | 17.2 | 3.2 |
| | South Korea | 19 | 19.8 | 18.1 | 2.4 |
| | Switzerland | 42 | 42.0 | 11.4 | 13.2 |
| | United States | 28 | 20.7 | 16.6 | 3.7 |
| 6403 | **Footwear with outer soles of plastics, leather or composition of leather and uppers of leather (thos, pairs)** | 599 | 789.0 | 413 | 116 |
| | China | 53 | 423.8 | 44.0 | 17.7 |
| | Germany | 48 | 26.2 | 40.6 | 5.9 |
| | Italy | 321 | 423.8 | 205 | 8.9 |
| | South Korea | 25 | 26.2 | 25.1 | 1.0 |
| | Viet Nam | 6.4 | 0.5 | | |

<Table 10> (cont.)

| HS CODE | MAIN COMMODITY GROUPS | Jan.-Sep. 1992 VALUE | Jan.-Dec. 1992 VALUE | Jan.-Mar. 1992 | Jan.-Mar. 1993 |
|---|---|---|---|---|---|
| 8521 | **Video recording or reproducing apparatus (thos. units)** | 187 | 210.0 | | |
| | Germany | 4.7 | 6.4 | | |
| | Hong Kong | 1.2 | 1.5 | | |
| | Japan | 100 | 109.7 | | |
| | Singapore | 6.1 | 7.7 | | |
| | South Korea | 38 | 40.4 | | |
| 8528 | **Television receivers (thos. units)** | 250 | 300.0 | | |
| | Germany | 27 | 31.8 | | |
| | Japan | 34 | 55.6 | | |
| | Singapore | 31 | 32.9 | | |
| | South Korea | 38 | 42.2 | | |
| | Taiwan | 3.7 | 3.8 | | |
| | United States | 11 | 11.7 | | |
| 8703 | **Motor cars and other motor vehicles principally designed for the transport of persons (thos. units)** | 504 | 677 | 217 | 65.5 |
| | Austria | 8.3 | 10 | | |
| | Germany | 26 | 48 | 21.2 | 8.4 |
| | Japan | 72 | 168 | 61.8 | 20.2 |
| | Sweden | 309 | 336 | 83.6 | 3.0 |
| 89 | **Ships, boats and floating structures** | 131 | 153.0 | 112 | 282 |
| | Austria | 51 | 53.0 | 50.6 | - |
| | Germany | 8.9 | 9.9 | 7.7 | 227 |
| | Japan | 27 | 28.0 | 26.8 | 0.0 |
| | Poland | 13 | 13.0 | | |

Source: Goskomstat of Russia (1993), *Vneshneekonomicheskie Svyazi Rossiyskoy Federatsii* 3a II kvartal 1993g.

footwear exports from 3.3% in 1992, while China and Italy constituted the largest exporters. In the video market, Korea was ranked as the second largest supplier after Japan in 1992. Japan was the major competitor for Russia's television import market in 1992. In the motor car market, which could be expanded to Korea in the near future, Sweden was the forerunner in 1992. But in the first quarter of 1993, Japan became the largest exporter of cars with a 31% share.

# IV. Problems and Prospects of Korea-Russian Trade

## IV. 1 Problems in Korea-Russian Trade

In the early days of economic cooperation between the two countries, the most urgent task at hand was to establish a basic institutional framework for cooperation, as Korea had only recently established diplomatic ties with the Soviet Union in 1990. Fortunately, uncertainties which followed the collapse of the Soviet Union provided Korea with the opportunity to gain equal footing with other industrialized countries - such as the U.S. and Japan, which had entered Soviet markets 20 or 30 years earlier - in dealing with Russia.

Today, the major obstacle to economic cooperation between Korea and Russia is the latter's political instability. While Boris Yeltsin has successfully eliminated strong opposition in the Russian parliament, general election results from last December failed to guarantee Russia's political stability.

Another problem related to political instability lies in the ambiguity of power and responsibility between the central and local governments, including the autonomous republics. Finally, the worsening economic situation in Russia is another roadblock to the development of Korean-Russian economic cooperation.

As previously mentioned, Russia's foreign trade volume has decreased continuously since 1990. The breakdown of the CMEA and the disintegration of the Soviet Union were major factors in this decrease.

Furthermore, fallen production, especially that of oil, contributed significantly to a drop in Russian exports. In 1991, Russia's industrial production fell by 8%, while oil production and its exports (54.5 million tons) diminished by 11% and almost 50%, respectively. In 1992, Russia's industrial production decreased by 18.8%, and Russian oil production (395.8 million tons) dropped by 15.7% from the previous year. This downward trend has continued until recently. At the same time, a shortage of foreign currencies has forced the Russian government to cut its imports.

A major obstacle to Korea's foreign trade with Russia is the various restrictive regulations on exports and imports imposed by the Russian government. This problem, however, has less to do with the current levels of import and export restrictions than it does with the ever-changing nature of Russian trade regulations. In 1992, for example, tariff regulations were changed almost every month, and lists of commodities, which in some ways can also be considered restrictions on trade, were constantly revised. In addition, the fluctuating legal base and the complicated system of payments do not provide a stable and favorable environment for the development of foreign trade, which is of vital importance to Russia and its trading partners.

Of course, Korea has its own internal problems which hinder economic exchanges with Russia. First of all, Korea has emphasized political considerations rather than economic aspects with respect to economic cooperation with Russia in recognition of the importance of fostering friendly diplomatic relation with Russia, as a means of building a strong base for peaceful unification between South and North Korea. However, it should be noted that diplomatic discussions with Russia have neglected to address the mutually complementary economic aspects and the possibilities for economic collaboration between the two countries from a long-term perspective, but rather, have focused primarily on the two governments' political agendas.

Another important problem which has arisen in the initial stages of economic cooperation between the two countries has been the lack of fundamental knowledge and investment information about Russia. Related to this problem has been the absence of any effort to appropriately address the opinions of working-level officials and specialists of both nations in the development of Korean-Russian economic policy.

Furthermore, the collapse of the former Soviet Union and the ensuing political instability in Russia has generated deep, nationwide concern in Korea about the withdrawal of extended loans. Korea's aggravated trade deficits of recent years, which helped to heighten severe criticism against the Economic Cooperation Loans for Russia from both the private sector and the government, has also prevented the Korean government from aggressively pursuing economic cooperation with Russia.[10]

A major hindrance to the development of mutual trade, according to the MFER of the Russian Federation, is the fact that Russian partners are normally short of the raw materials and semi-fabricated goods that their Korean counterparts require. Other major problems are the lack of handling facilities in the ports of the Russian Far East, and the lack of foreign currency, could be used by the Russians to service their trade operations.[11]

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[10] Sung Tae Ro, "A Basic Direction of Economic cooperation between Korea and Russia," Jehoon Park ed., *Russia's Reform and Economic Cooperation between Korea and Russia,* 1992, KIEP, pp.57-58.

[11] *ECOTASS Weekly,* June 13, 1994, p.22.

Yet another problem between Russia and Korea stems from "unsettled credit relations," i.e., the overdue debt of Russian importers to Korean suppliers. This problem has had an adverse effect on inter-governmental relations, according to the minister of MFER. With respect to Russia's unpaid debts, Korea still maintains a number of unofficial restrictions on trade with the nation, including refusing to extend government credits and insurance for trade and investment projects. This makes it especially difficult for small-and medium-sized Korean companies to trade or invest in Russia.[12]

## IV. 2 Prospects for Korea-Russian Trade

The deteriorating Russian economy has been one of the major obstacles to Korea-Russian trade. Therefore, it is necessary to take a comprehensive look at the Russian economy before the prospects for trade between the two countries are discussed further. International economic institutions, such as the IMF and the World Bank, are predicting that the decline of the Russian economy will last until the end of 1994, and will rebound to achieve positive growth by 1995. The Medium-Term Program for Stepping Up the Economy, devised by the

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[12] *Ibid.*, p.23.

Russian government in June, 1992, makes a similar prediction. In contrast, the Institute of Economic Forecasting of the Russian Academy of Sciences forecasts that the negative growth trend will continue until the end of 1995, while the PlanEcon estimates that the Russian economy will begin to recover in 1996.

**<Table 11> Russian Economic Prospects**

% change over the previous year

| | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|
| PlanEcon (1993) | -10.0 | -6.0 | 0.7 | 4.7 | 5.2 |
| (GNP) (1994) | -11.9 | -4.7 | -2.0 | 2.5 | 5.3 |
| World Bank (GNP) | -5 ~-8 | -1 ~1 | 1 ~3 | | |
| IMF (FSU) | -11.8 | -3.5 | | | |
| Russian Government (GDP) | -4.9 | -0.5 (-8)* | 1.1 | | |
| Institute of Economic1) | -4.8 | -2.5 | -0.6 | | |
| Forecasting (NI) 2) | -13.5 | -6.7 | -2.4 | | |

1) Optimistic Scenario

2) Pessimistic Scenario

Source: PlanEcon, *PlanEcon Report* (1993 & 1994), World Bank, *Russian Economic Reform* (1992), *Sredenisrochnaya Programma* (1992), RAN INP (1992), IMF *World Economic Outlook* (1993).

* Prediction of Russian Government in March 1994.

Considering the fact that Korea-Russian trade increased rapidly from 1993 until the first half of 1994 without the resumption of Korean loans, future prospects for bilateral trade seem to be very bright.

Recently, Western sources have frequently evaluated the Russian economy positively. Among the factors favoring the optimistic outlook are: (1) the growing stability of the Russian economy, (2) the prospect of an 18 month IMF stabilization program of $4 billion at the end of the year to supplement IBRD/EBRD loans of $2-3 billion, (3) new Russian emphasis on trade and investment and a shift away from financial aid, (4) an increase in consumer spending and real income levels despite a decrease in industrial production, (5) improved political stability in part due to the Duma's passiveness and President Yeltsin's limited involvement, (6) the approval of several major energy projects, and (7) the increase of Russian exports to the U.S. Despite these positive indicators, the economy is at best "muddling along." The transition to a market economy will take years, if not decades, and in the interim there will be many obstacles and setbacks. Industrial production continues to fall rapidly, unemployment is growing, petroleum production is down, and crime and the lack of a sufficient legal structure inhibit both domestic and foreign investment.[13]

[13] KEI Report (1994), "Russian Economic Outlook-U.S. Evalustion," June 29.

Recently *The Economist* pointed out three reasons why foreigners should invest in Russia.[14] First, there are some industries in which Russia's potential is huge. No energy company can be sanguine about its rivals locking up Russia's enormous oil fields (which represent 10% of the world's proven reserves) and gas fields (40%). Nor can the makers of some consumer goods wholly ignore a market of 150m people. And Russia's fast-growing services sector, which made up only a tenth of GDP under Soviet rule, bristles with opportunities for entrepreneurs, from advertising agencies to dispatch riders.

The second reason to invest is a substantial change in the business environment. By the end of June, mass privatization will have put 70% of Russia's industry into private hands. A year ago Russian managers were confident that subsidized credits from the government would help them muddle through without western help. That subsidized-credit tap has now been turned off, leaving many managers desperate to find investors, even at the price of handing over control.

But the third and most compelling reason to invest in Russia is that its assets are cheap. Mass privatization was not driven, as in many

[14] *The Economist*, May 14th 1994.

countries, by the government's desire to raise revenue by selling state firms; rather by a desire to move as many firms as possible into private hands before politics could reverse the process. For the sake of speed, the book value of the 14,000 privatized enterprises was calculated once, in January 1992, and has not been changed since, even though Russian prices have risen by 10,500% in the intervening period. This book value, which is based on the depreciated value of an enterprise's capital stock and takes no account of property or intangible assets, is still the basis for the auctions at which holders of the 144m vouchers distributed free to all Russians at the end of 1992 can exchange vouchers for equity in privatized firms. Each voucher was issued with a nominal value of 10,000 roubles, but on the secondary market they now sell for 42,000 roubles ($23). This implies a market capitalization for Russia's 14,000 largest companies of around $12 billion-only a touch more than Kellogg, an American cereal firm.[15]

Most of the Western experts on Russian affairs agree with the fact that the Russian government should move forward on at least three fronts.

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[15] *ibid., pp.67-68.*

One is the economy. A credible stabilization programme is needed. Ideally, it should include pegging the exchange rate to something stable, in order to undermine expectations of inflation; balancing the budget, in order to make the pegged exchange rate credible; and securing the independence of the central bank, in order to insure against a government relapse. The current government will argue that Russia cannot bear such shocks, but nothing is more costly than an attempt at achieving stabilization through stealth.

The second front is the role of the state. Though the Communist Party lost its monopoly on power almost three years ago, the Russian state still tries to be a universal provider of everything. As a result it does nothing well. Worse, it continues to use the tax revenues it does collect to finance uneconomic production. One-tenth of this year's tax revenues will be used to subsidise the least efficient coal mines. Everyone agrees that the millions of Russians who live beneath the official poverty line must be helped if the market economy is to have any popular support.

The third front is the rule of law. This is the only solution to the crime wave, which most Russians see, rightly or wrongly, as the biggest danger in their lives. The police and judiciary are among the most powerful vested interests in any country, and reforming them is always difficult. But until this has been done in Russia, the passing of more draconian laws to fight crime will cause more problems than it solves.[16]

**<Table 12> Outlook for Russian Foreign Trade**

(unit: US$ billion)

| | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 | 1997 |
|---|---|---|---|---|---|---|---|---|
| FOREIGN TRADE AND INTER-REPUBLICAN TRADE (at World Market Prices) | | | | | | | | |
| Exports | 215.7 | 190.4 | 132.9 | 107.6 | 99.2 | 99.8 | 108.0 | 121.2 |
| Imports | 171.6 | 141.4 | 109.5 | 85.5 | 86.2 | 90.8 | 101.5 | 116.2 |
| Trade Balance | 44.2 | 49.0 | 23.3 | 22.2 | 13.0 | 9.0 | 6.5 | 5.0 |
| FOREIGN TRADE | | | | | | | | |
| Export | 60.6 | 50.8 | 40.6 | 45.9 | 48.5 | 52.7 | 57.3 | 65.6 |
| Imports | 53.5 | 44.3 | 35.3 | 31.2 | 40.0 | 47.2 | 53.3 | 62.6 |
| Trade Balance | 7.1 | 6.5 | 5.3 | 14.7 | 8.5 | 5.5 | 4.0 | 3.0 |
| INTER-REPUBLICAN TRADE | | | | | | | | |
| Export | 155.2 | 139.6 | 92.2 | 61.7 | 50.8 | 47.1 | 50.7 | 55.6 |
| Imports | 118.1 | 97.1 | 74.2 | 54.2 | 46.3 | 43.6 | 48.2 | 53.6 |
| Trade Balance | 37.1 | 42.5 | 18.0 | 7.5 | 4.5 | 3.5 | 2.5 | 2.0 |

Source: PlanEcon *Review and Outlook* February 1994.

16 *The Economist*, July 9th 1994, pp.9-10.

<Table 13> **Projection of Korea-Russian Trade***

(unit: US$ million)

| | 1994 | | 1995 | | 1996 | | 1997 | |
|---|---|---|---|---|---|---|---|---|
| | A | B | A | B | A | B | A | B |
| Total | 2,655 | 4,425 | 2,997 | 4,995 | 3,318 | 5,530 | 3,846 | 6,410 |
| Export | 1,455 | 2,425 | 1,581 | 2,635 | 1,719 | 2,865 | 1,968 | 3,280 |
| Import | 1,200 | 2,000 | 1,416 | 2,360 | 1,599 | 2,665 | 1,878 | 3,130 |

* A: Projection based on the assumption that the share of bilateral trade will continue to be 3% in the total volume of Russia's trade.

B: Projection based on the assumption that the share of bilateral trade will continue to be 5% in the total volume of Russia's trade.

Both A & B used PlanEcon's 1994 outlook of Russia's foreign trade.

Table 13 summarizes two variants of projections about Korea-Russian trade. According to variant A, the total volume of bilateral trade will reach US$3.8 billion by 1997. Variant B more optimistically predicts that the total volume will increase to US$6.4 billion by 1997.

Russia recently announced that a new system of foreign trade would be introduced from July 1 of this year. According to this system, most quantitative restrictions on exports and imports will be removed.

Only energy and "strategic materials" will continue to be closely controlled by export restrictions. This liberalization of foreign trade is expected to have a positive influence on Korea-Russian foreign trade.

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