

# Analysis of Trade Pattern Between the EAEU and South Korea

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## I. Introduction

The Eurasian Economic Union (EAEU) is a relatively newly-formed regional integration bloc. It evolved on the basis of the Customs Union of Russia, Kazakhstan, and Belarus in 2015 with Armenia and Kyrgyzstan joining the agreement.

The foreign economic aspirations of the EAEU as a single market, in the context of tense relations with Western partners, are turned towards Asian countries. The pivot to the East is supported by the ideological concept of “Greater Eurasia” (sometimes translated as “Big Eurasia”), which implies more extensive cooperation with the economies of Central, East, and South Asia.

Since its inception, the Russia-led Eurasian Economic Union has tried to actively expand economic ties by signing free trade agreements (FTAs) with third parties. Remarkably, Vietnam was the first to form a free trade area with the Union, which entered into force in 2016. An interim agreement was concluded

with Iran coming into effect in 2019 and extended in 2021. The FTA with Serbia came into effect in 2021. The EAEU signed the FTA with Singapore in 2019, but that has not been completed yet.

The highest hopes in enhancing the economic partnership of the EAEU with East Asian countries are undoubtedly anchored on China. Moreover, there are some overlapping areas between the ‘Greater Eurasia’ project and the Chinese Belt and Road Initiative (BRI), with Russia’s interest in speeding up alignment with China’s BRI. However, the process of conjugation of the two initiatives is moving at a slow pace. The Agreement on Trade and Economic Cooperation between the Eurasian Economic Union and China remains ‘non-preferential’ – meaning no tariff reductions have yet been agreed upon.

Despite the focus on China, other countries of East Asia also have the potential to develop trade cooperation with the EAEU, particularly

the Republic of Korea (RoK). South Korea, one of the Asian tigers, managed to develop a competitive economy dominated by chaebols, family-run business conglomerates, and turned into a global industrial powerhouse (Podoba and Titova 2018). The country showed interest in enhancing economic ties with the members of the EAEU. Korea faces a number of challenges in increasing economic instability around the world and needs to diversify its partnerships with emerging market economies (Kim 2019).

In 2017 President Moon Jae-in announced the New Northern Policy (NNP) with an aim to strengthen economic and political cooperation with countries to the north of Korea, notably with Russia, a key partner for Korea in the northern policy. Within the framework of the ‘Nine Bridges’ plan, the strategy suggested boosting economic and infrastructure linkage between South Korea and Russia and the EAEU in such directions as shipbuilding, Arctic shipping routes, gas, railways, electricity, labour force, agriculture, fisheries, and sea-ports (Suslina and Samsonova 2020). Korea and the EAEU even conducted a feasibility study on the necessity and possible effects of signing an FTA between Korea and the EAEU (Yun 2018). However, the ambitious cooperation plans were frozen for various reasons: changing foreign policy priorities, the COVID-19 pandemic, and geopolitical conflicts.

Nevertheless, trade cooperation between the EAEU and Korea has great potential due to the

high level of complementarity of the economic structure of the Russia-led EAEU, with its focus on raw materials and basic industries, to the Korean economy, which has become a leader in high-tech industries.

At a time when political efforts to bring the Union and Korea closer together have been put on hold, the paper aims to provide a comprehensive description of the bilateral merchandise trade pattern between the EAEU and the Republic of Korea to verify if statistical evidence on bilateral trade provides ground for the development of guiding actual policy deliberations in the future. Trade Intensity Index (TII), the sectoral bilateral coefficient of revealed comparative advantages, and the standard Grubel-Lloyd index have been used in order to analyze the bilateral trade between the EAEU and the Republic of Korea.

The study is limited to the period from 2015, the year of EAEU creation, to 2021, the latest available data for comparisons. The data for the study was collected from The Eurasian Economic Commission (EEC), UN-Comtrade, World Integrated Trade Solution (WITS), and ITC Trade-Map.

## II. The Dynamics of the Trade between the EAEU and the Republic of Korea

Total trade between the EAEU and Korea increased by 72% during 2015-2021 and reached 33 billion USD. However, the trade growth was not stable. First slowdown was

noted in 2015–2016, which was caused by a dual external shock to the Russian economy: sanctions and the sharp decline in oil prices (Podoba 2019). A second noticeable decline in mutual trade was triggered by the COVID-19 pandemic.

By 2021, Korea ranked 7th among the trade partners of the EAEU with a share of 3.9%, behind China (19.8%), Germany (7.5%), the Netherlands (6.3%), Italy (5.0%), Turkey (4.6%), and the USA (4.5%). The trade with Korea is most significant primarily for Russia

and Kazakhstan, while its share does not exceed 1% in the trade with other members of the Union. Korea was Russia's 10th largest export destination for goods and 5th in imports.

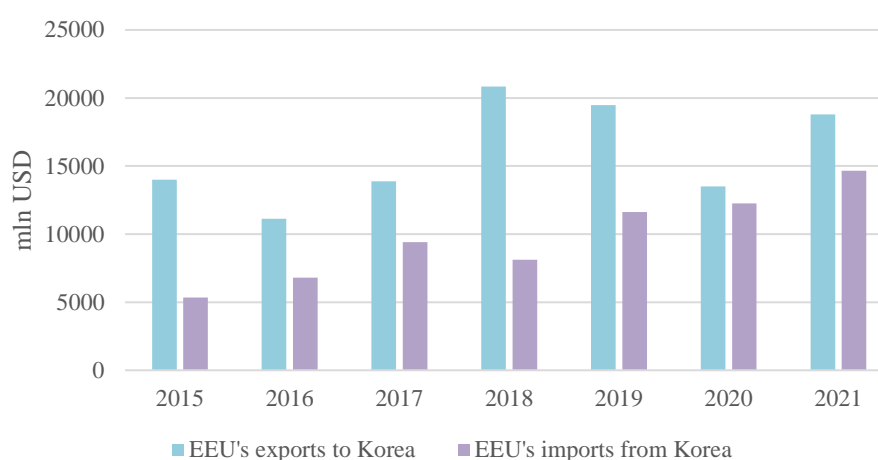
The role of the EAEU for Korea's trade is less substantial than the other way around. The EAEU accounts for about 2.5% of the foreign trade of the Republic of Korea. Russia is among ROK's top-20 export markets and top-10 import partners. It is noteworthy that the partner's shares in bilateral trade grew over the period under review (See table 1).

**Table 1. The Share of the EAEU and Korea in Bilateral Merchandise Trade**

	2015	2016	2017	2018	2019	2020	2021
EAEU 's share in Korea's exports	1,0	1,1	1,3	1,4	2,0	1,8	1,7
EAEU 's share in Korea's imports	2,7	2,2	2,7	3,5	3,2	2,5	3,2
Korea's share in EAEU 's exports	3,8	3,3	3,5	4,2	4,2	3,7	3,6
Korea's share in EAEU 's imports	2,6	2,8	3,1	3,1	4,2	4,7	4,4

Source: Author's calculations based on WITS and ITC.

**Figure 1. Trade between the EAEU and Korea**



Source: WITS.

Coming to the bilateral merchandise trade flows between the EAEU and Korea, it can be seen that the trade balance runs in favor of the EAEU (Figure 1). However, the balance is positive only for Russia and Kazakhstan. For all the other members of the Union, cooperation with Korea was characterized by a merchandise trade deficit.

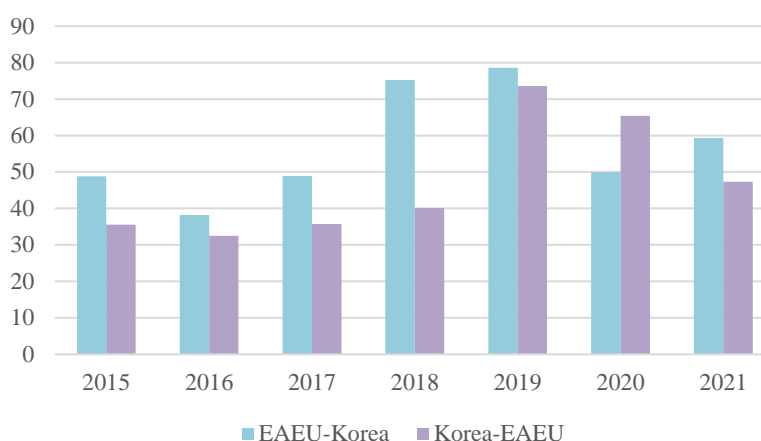
The study employed the trade intensity index (TII) to estimate the EAEU–Korea trade performance. TII is often used to analyze the bilateral ties' strength and assess potential effects of regional integration. It measures, on the basis of existing trade flows, to what extent partner countries trade with each other more intensely than with others:

$$TII_{ij} = (x_{ij}/X_{it})/(x_{wj}/X_{wt}) \quad (1)$$

where  $x_{ij}$  is the value of exports of country/region  $i$  to country/region  $j$ ,  $X_{it}$  is the country  $i$ 's total exports;  $x_{wj}$  is the value of world exports to country/region  $j$ ,  $X_{wt}$  is world exports.

The calculation of trade intensity indices for the EAEU and Korea showed that from 2015 to 2021, average TIIs were found to be less than the threshold level. This means that Korea's exports and imports are not so intense with EAEU countries compared with its trading pattern with the rest of the world, though the index values slightly increased (Figure 2).

Figure 2. Trade Intensity of the EAEU and Korea Trade

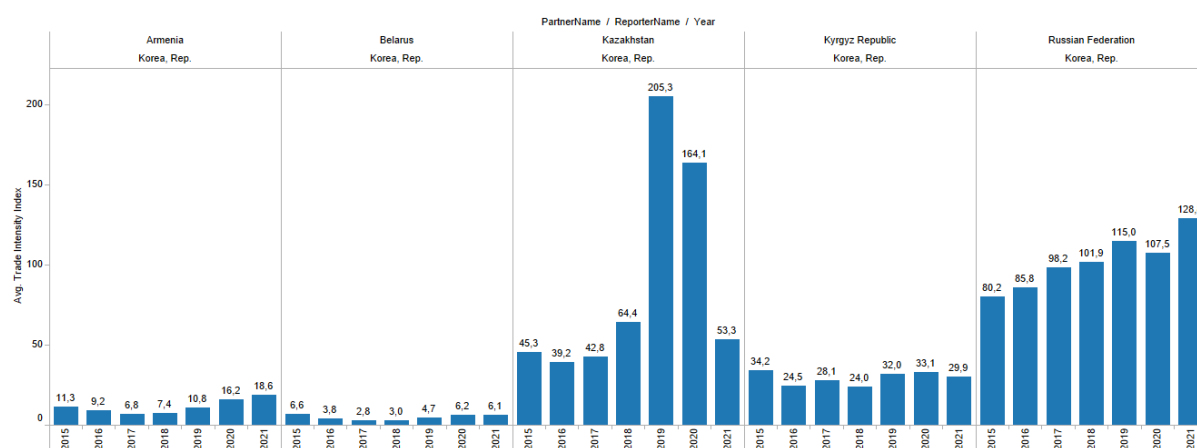


Source: Author's calculations based on WITS and ITC.

It is worth mentioning that trade flows between the EAEU and Korea are unequally distributed at the country level. Only Russia and Kazakhstan reached intense trade relations

with Korea throughout the period under examination (Figure 3). It is what one could expect considering that these two economies are responsible for 99.5% of the EAEU–RK trade (table 2).

Figure 3. TII of Korea w.r.t. countries of the EAEU



Source: WITS.

Table 2. The Shares of the EAEU Countries in Total Trade with Korea

(Unit: %)

Country-member of the EAEU	2015	2016	2017	2018	2019	2020	2021
Armenia	0,2	0,1	0,1	0,1	0,1	0,2	0,2
Belarus	0,8	0,7	0,7	0,6	0,6	0,6	0,3
Kazakhstan	7,1	3,8	7,3	13,5	20,9	22,9	10,1
Kyrgyzstan	0,3	0,1	0,2	0,1	0,1	0,2	0,2
Russian Federation	91,6	95,3	91,7	85,8	78,3	76,2	89,3

Source: Author's calculations based on WITS and UNCTAD STAT.

### III. The Structure of the Trade between the EAEU and the Republic of Korea

The analysis of the trade structure between the EAEU and the Republic of Korea by product groups according to the technological classification of Lall (2000) showed that exports of the EAEU mostly comprise primary products. That product group accounts for about 70 percent of the Union's total export to Korea.

The second and third largest product categories were in resource-based manufactures, with a combined share of about 25% (table 3).

The leading product category in Korea's exports to the EAEU's market was medium-technology manufactured goods. These were primarily made up of different kinds of engineering machinery and equipment and motor vehicles. Those products accounted for more than two-thirds of Korea's exports to the EAEU (table 4).

Table 3. Technological Composition of the EAEU's Exports to Korea

(Unit: %)

Classification		2016	2017	2018	2019	2020	2021
Primary products		69,4	70,1	71,3	71	72,1	71
Manufactured products		28,3	28,7	27,9	28,3	26,2	28,5
Simple manufactures	Resource-based manufactures:	24,3	24,3	25,2	25,5	23,4	25,8
	agro-based	1,8	4	3,9	4	5,2	4,3
	other	22,5	20,3	21,3	21,5	18,2	21,5
	Low technology manufactures:	0,2	0,2	0,3	0,2	0,2	0,3
	textile, garment and footwear	0,1	0,1	0,1	0,1	0,1	0,1
	other products	0,1	0,1	0,2	0,1	0,1	0,2
Complex manufactures	Medium technology manufactures:	3,4	3,6	2,1	2,3	2,3	2
	automotive	0	0	0,1	0	0	0
	process industries	2,4	2,3	1,7	2	2,1	1,7
	engineering	1	1,3	0,3	0,3	0,2	0,3
	High technology manufactures:	0,4	0,6	0,3	0,3	0,3	0,4
	electronic and electrical	0,2	0,3	0,1	0,1	0,1	0,2
	other high technology products	0,2	0,3	0,2	0,2	0,2	0,2
Unclassified products		2,3	1,2	0,8	0,7	1,7	0,5

Source: Author's calculations based on UNCTAD STAT.

The structure of bilateral trade remained relatively stable over the period reviewed. Table 5 shows the top-10 product groups at the 4-digit level of the Harmonized Commodity Description and Coding System (HS) for EAEU's exports to the Korean market in 2015 and 2021. The Union's exports are dominated by fuels, metals, fish, and agricultural products. Russia supplies the majority of export categories. However, 97% of titanium, 36% of ferro-allo-

ys, 29% of petroleum, and 16% of semi-finished iron were exported by Kazakhstan in 2021. Korea is a very important export market for the EAEU for certain categories of goods. Thus, for example, in 2021, Korea was the number one destination for EAEU's exports of frozen fish, fish fillet, crustaceans, maize, and ferrous waste. It took second place for the exports of chemical wood pulp, third for titanium, fourth for ferro-alloys, and fifth for pig iron.

Table 4. Technological Composition of Korea's Exports to the EAEU

(Unit: %)

Classification		2016	2017	2018	2019	2020	2021
Primary products		0,8	0,8	0,8	0,6	0,6	0,8
Manufactured products		99,1	99,1	99,1	99,4	99,3	99,2
Simple manufactures	Resource-based manufactures:	8,6	7,7	7,8	5,8	4,8	5,9
	agro-based	5,5	5,0	4,9	3,6	2,9	3,5
	other	3,1	2,8	3,0	2,2	1,9	2,4
	Low technology manufactures:	13,8	13,3	14,6	10,7	12,3	12,7
	textile, garment and footwear	1,5	1,3	1,3	1,0	0,9	1,0
	other products	12,3	12,1	13,3	9,6	11,4	11,7
Complex manufactures	Medium technology manufactures:	65,2	67,8	67,7	75,5	74,0	73,0
	automotive	28,0	30,5	35,8	28,5	20,9	25,4
	process industries	11,6	9,9	12,1	9,2	8,3	11,2
	engineering	25,6	27,4	19,8	37,8	44,8	36,4
	High technology manufactures:	11,5	10,3	9,0	7,3	8,3	7,7
	electronic and electrical	9,2	8,5	7,4	6,3	6,9	6,4
	other high technology products	2,3	1,7	1,6	1,1	1,3	1,2
Unclassified products		0,1	0,1	0,1	0,1	0,1	0,0

Source: Author's calculations based on UNCTAD STAT.

Table 5. Top-10 Product Groups of the EAEU's Exports to Korea

(Unit: Thousand USD)

HS Code	HS Heading	2021	HS Code	HS Heading	2015
2709	Petroleum	8 118 017	2709	Petroleum	6 014 272
2710	Petroleum oils	3 108 338	2710	Petroleum oils	2 974 946
2701	Coal	1 729 212	2701	Coal	1 229 540
0306	Crustaceans	1 063 341	0303	Frozen fish	546 956
0303	Frozen fish	915 339	7601	Unwrought aluminium	517 680
7202	Ferro-alloys	312 030	0306	Crustaceans	331 716
7204	Ferrous waste and scrap	286 050	7204	Ferrous waste and scrap	178 044
7601	Unwrought aluminium	270 035	7202	Ferro-alloys	163 595
0304	Fish fillets and other fish meat	152 759	1005	Maize or corn	151 117
1005	Maize or corn	151 814	8906	Vessels, incl. warships and lifeboats	111 477

Source: Author's calculations based on EEC.

The top import product categories of the EAEU from Korea were vehicles and parts thereof, ships and boats, machinery and equipment, iron, and beauty or make-up preparations (table 6). The latter group drastically improved its position in the import structure. The popularity of the Korean wave affected the mass consumption of such Korean products as fashion, food, and cosmetics in many countries, including the EAEU market. Studies prove the trade creation effects of the Korean wave on Korean cosmetics exports (Kim et al.

2021). The trade creation effect caused by the Korean wave led to a significant increase in imports of beauty products in the EAEU from Korea. In 2021, Korea was the second largest supplier of skin care products to the EAEU after France.

Korea also was one of the major import sources of various auto components. It ranked first in the EAEU's electrical lighting and visual signaling equipment imports and second in imports of electric accumulators, seats.

**Table 6. Top-10 Product Groups of the EAEU's Imports from Korea**

(Unit: Thousand USD)

HS Code	HS Heading	2021	HS Code	HS Heading	2015
8901	Cruise ships, excursion boats, ferry boats, cargo ships, barges	3731801	8708	Parts and accessories for tractors, motor vehicles	743556
8708	Parts and accessories for tractors, motor vehicles	1645016	8703	Motorcars and other motor vehicles	322605,8
8707	Bodies, incl. cabs, for tractors, motor vehicles	1091988	8707	Bodies, incl. cabs, for tractors, motor vehicles	216434,1
8429	Self-propelled bulldozers	351239	7210	Iron or non-alloy steel flat-rolled products	153271,6
8419	Machinery, plant, or laboratory equipment	318472	8419	Machinery, plant or laboratory equipment	119416,6
8407	Spark-ignition reciprocating or rotary internal combustion piston engine	243090	3901	Polymers of ethylene	117663,9
8512	Electrical lighting or signaling equipment	201567,4	8529	Parts suitable for use solely or principally with transmission and reception apparatus	114186,4
9401	Seats, whether or not convertible into beds, and parts thereof	191277	8207	Tools, interchangeable, for hand tools	108491
7210	Iron or non-alloy steel flat-rolled products	188171,2	4011	New pneumatic tyres, of rubber	106671,3
3304	Beauty or make-up preparations and preparations for the care of the skin	184762,4	8537	Boards, panels, consoles, desks, cabinets and other bases, equipped with two or more apparatus	105117

Source: Author's calculations based on EEC.



## IV. The Main Patterns of Korea's and The EAEU's Comparative Advantages in Bilateral Trade

The bilateral trade between the EAEU and Korea greatly fits into the framework of the classical theory of comparative advantages, which originate from cross-country differences in relative factor endowments.

That is proved by the bilateral trade structure discussed above and our calculations of the sectoral bilateral coefficient of revealed comparative advantages, a modification of the Balassa index:

$$RCA_{ijk} = (x_{ijk} : X_{ij}) : (x_{wkj} : X_{wj}) \quad (2),$$

where  $X$  is the value of exports,  $i$  is the country under study,  $j$  is the partner economy,  $k$  is a

specific industry or product group, and  $w$  refers to the world.

The value of  $RCA_{ijk}$  above one indicates a country's comparative advantages in bilateral trade.

The results of the calculations of bilateral revealed comparative advantages for the exports from the EAEU to Korea at the 1-digit level of the Standard international trade classification (SITC) are shown in table 7. During 2015-2021, the EAEU had stable comparative advantages in exports of mineral fuels and food to the Republic of Korea. It should be noted that on the country level, only Kyrgyzstan and Russia had a specialization in food, and only Russia, Kazakhstan, and in certain years, Kyrgyzstan had a specialization in mineral fuels.

**Table 7. Revealed Comparative Advantages of the EAEU in Bilateral Trade with Korea**

Code	SITC section	2015	2016	2017	2018	2019	2020	2021
0	Food and live animals	1,9	2,1	2,1	1,5	1,5	1,8	2,3
1	Beverages and tobacco	0,0	0,2	0,2	0,0	0,0	0,0	0,0
2	Crude materials, inedible, except fuels	0,8	0,9	0,7	0,6	0,5	0,5	0,6
3	Mineral fuels, lubricants, and related materials	1,3	1,6	1,5	1,6	1,6	1,8	1,7
4	Animal and vegetable oils, fats, and waxes	0,0	0,0	0,0	0,0	0,0	0,0	0,1
5	Chemicals and related-products	0,1	0,1	0,1	0,1	0,1	0,2	0,1
6	Manufactured goods-classified chiefly by material	0,5	0,4	0,5	0,3	0,4	0,4	0,5
7	Machinery and transport equipment	0,3	0,2	0,4	0,1	0,1	0,1	0,1
8	Miscellaneous-manufactured articles	0,1	0,1	0,1	0,0	0,1	0,1	0,1
9	Commodities and transactions not classified elsewhere in the SITC	0,0	0,2	0,1	0,1	0,1	0,2	0,1

Source: Author's calculations based on WITS.

Korea's trade specialization with the EAEU in 2015-2021 was confirmed in exports of machinery and transport equipment, food, and manufactured goods in most years of the reviewed period (table 8). Korea's comparative

advantages in all mentioned product categories were stable in exports to Russia. Other items showing a stable specialization were food exports to Kazakhstan and Kyrgyzstan, beverages to Armenia, and manufactured goods to Belarus.

**Table 8. Revealed Comparative Advantages of Korea in Bilateral Trade with the EAEU**

Code	SITC section	2015	2016	2017	2018	2019	2020	2021
0	Food and live animals	2,4	1,9	1,9	1,9	1,3	1,2	1,4
1	Beverages and tobacco	3,5	2,7	2,0	1,9	1,1	1,1	1,4
2	Crude materials, inedible, except fuels	0,7	0,6	0,7	0,8	0,5	0,5	0,5
3	Mineral fuels, lubricants, and related materials	0,3	0,3	0,2	0,2	0,2	0,3	0,3
4	Animal and vegetable oils, fats, and waxes	1,8	1,8	1,5	1,5	1,0	1,0	0,7
5	Chemicals and related-products	1,1	1,0	0,9	0,9	0,7	0,8	0,9
6	Manufactured goods classified chiefly by material	1,1	1,3	1,2	1,0	0,7	0,9	1,0
7	Machinery and transport equipment	1,0	1,0	1,1	1,1	1,3	1,2	1,1
8	Miscellaneous manufactured articles	0,9	0,9	0,8	0,9	0,7	0,7	0,8
9	Commodities and transactions not classified elsewhere in the SITC	0,0	0,0	0,0	0,0	0,0	0,0	0,0

Source: Author's calculations based on WITS.

## V. Intra-Industry Trade between the EAEU and South Korea

Another way to look at sectoral trade patterns is to study the presence of intra-industry trade, which is recognized as an important indicator of economic integration between economies. The theory of comparative advantages and the Heckscher-Ohlin model of factor endowments

proved well-suited to explain the trade patterns between the EAEU and Korea, justifying the high level of inter-industry trade. Emerging and transition economies typically engage in inter-industry trade by exporting labor-intensive resource-based products in exchange for final manufactured goods. However, a significant share of trade of the leading global trading nations comes from intra-industry

trade (IIT). It is generally assumed to occur between developed industrialized economies with similar factor endowments and capital-labor ratios. The deepening international fragmentation of production and the rapid export-oriented growth of East Asian countries have raised the importance of IIT and the formation of global and regional value chains. EAEU countries' participation level in the global value chains is rather low compared with South Korea.

To measure the importance of intra-industry trade in the cooperation between the EAEU and Korea, we used the standard Grubel-Lloyd index (Grubel and Lloyd 1975):

$$IIT_{ijk} = 1 - |X_{ijk} - M_{ijk}| / (X_{ijk} + M_{ijk})$$

where  $X_k$  denotes the export value of sector  $k$ , and  $M_k$  is the import value of sector  $k$ ;  $i$  and  $j$  are two trading partners.

The index ranges between zero and one. If, in a sector, a country is either only an exporter or only an importer, the index equals zero, indicating the absence of intra-industry integration. It should be mentioned that Grubel-Lloyd index values tend to rise with aggregation (the higher the number of sectors, the less intra-industry trade will show up). That is why the interpretations should be made with caution. However, this does not invalidate the use of the Grubel-Lloyd indices constructed for a particular choice of aggregation scheme.

According to Duran Lima and Alvarez (2008),

three levels of intra-industry trade can be classified based on the results of the Grubel-Lloyd index calculations:

Class 1:  $GL > 0.33$  Intra-industry trade

Class 2:  $0.10 \leq GL \leq 0.33$  Potential for intra-industry trade

Class 3:  $GL < 0.10$  Inter-industry trade

At the initial stage of the research, IIT indices for bilateral trade between the EAEU and Korea were calculated using the 1-digit categories of SITC (table 9). According to the obtained results, stable intra-industry trade is recorded in the section 'Manufactured goods', and categories 'Chemical products' and 'Crude materials except for fuels' demonstrated potential for IIT.

A more detailed classification of industries might be considered in order to minimize the problem of 'categorical aggregation' arising from intra-category product heterogeneity. To that end, the IIT indices were calculated at a 2-digit level of SITC at the second research stage for the stable intra-industry trade. As shown in table 10, stable IITs were observed only in the product group 'Iron and steel', which belongs to 'low technology manufactures' according to the technological classification of Lall (2000). The share of trade in goods characterized by TII remained modest, fluctuating between 2 and 4% of the total trade between the EAEU and the Republic of Korea from 2015 to 2021.

Table 9. IIT Indices for Bilateral Trade between the EAEU and Korea

Code	SITC section	2015	2016	2017	2018	2019	2020	2021
0	Food and live animals	0,10	0,11	0,13	0,13	0,13	0,12	0,11
1	Beverages and tobacco	0,03	0,26	0,27	0,10	0,04	0,04	0,04
2	Crude materials, inedible, except fuels	0,21	0,20	0,25	0,27	0,30	0,33	0,31
3	Mineral fuels, lubricants and related materials	0,02	0,02	0,02	0,01	0,01	0,03	0,03
4	Animal and vegetable oils, fats and waxes	0,11	0,70	0,16	0,67	0,93	0,41	0,35
5	Chemicals and related products	0,22	0,19	0,22	0,23	0,20	0,26	0,20
6	Manufactured goods classified chiefly by material	0,96	0,83	0,90	0,72	0,79	0,73	0,82
7	Machinery and transport equipment	0,12	0,06	0,09	0,04	0,02	0,01	0,02
8	Miscellaneous manufactured articles	0,11	0,06	0,06	0,05	0,05	0,06	0,05
9	Commodities and transactions not classified elsewhere in the SITC	0,00	0,11	0,14	0,12	0,10	0,03	0,04

Table 10. IIT Indices for Bilateral Trade between the EAEU and Korea

Code	SITC Division	2015	2016	2017	2018	2019	2020	2021
61	Leather, leather manufactures	0,08	0,00	0,02	0,00	0,00	0,00	0,03
62	Rubber manufactures	0,00	0,01	0,00	0,00	0,00	0,00	0,00
63	Cork and wood manufactures (excluding furniture)	0,58	0,50	0,36	0,27	0,17	0,08	0,27
64	Paper, paperboard and articles of paper pulp, of paper or of paperboard	0,26	0,25	0,30	0,28	0,20	0,19	0,29
65	Textile yarn, fabrics, and related products	0,13	0,10	0,12	0,13	0,08	0,13	0,16
66	Non-metallic mineral manufactures	0,19	0,18	0,38	0,36	0,18	0,15	0,14
67	Iron and steel	0,94	0,99	0,96	0,82	0,99	0,85	0,89
68	Non-ferrous metals	0,05	0,07	0,07	0,08	0,06	0,05	0,05
69	Manufactures of metals	0,04	0,04	0,05	0,08	0,04	0,02	0,02

Note: 2-digit level, Section 6 -Manufactured goods classified chiefly by material.

## VI. Concluding Remarks

The analysis of the merchandise trade dynamics between the EAEU and the Republic of Korea from 2015 to 2021 allowed to draw the following conclusions. Total trade between the partners has trended towards expansion since the creation of the Union, although the trade growth was not stable due to oil price fluctuations, Russia-related sanctions, and the COVID-19 pandemic.

Korea is one of the most important trade partners for the EAEU, particularly for Russia and Kazakhstan accounting for 99% of the Union's trade. In contrast, the role of the EAEU in Korea's trade is less significant.

From the point of view of territorial disaggregation, those two countries stand out for their great importance and influence on trade with Korea. The EAEU had a stable trade surplus in trade with Korea, though in 2021, the balance was positive only for Russia and Kazakhstan.

The calculation of trade intensity indices demonstrated that Korea's trade with the EAEU was not so intense compared to its trading pattern with the rest of the world, though the index values slightly increased.

The trade structure remained stable during the period under review. Exports from the EAEU to Korea mostly consisted of primary products and resource-based manufactures. The major product categories of Korean exports to the Union were engineering machinery, equipment, and motor vehicles.

The Republic of Korea has evolved to become a crucial partner for the EAEU in certain trade categories: importer of EAEU's frozen fish, crustaceans, maize, ferrous waste, wood pulp, titanium, and exporter of auto components. The trade creation effect caused by the Korean wave, led to a significant increase in imports of beauty products to the EAEU from Korea.

The theory of comparative advantages and the Heckscher-Ohlin model of factor endowments proved well-suited to explain the trade patterns between the EAEU and Korea, justifying the high level of inter-industry trade.

The intra-industry trade estimations' results showed that stable IIT in the EAEU-Korea trade was recorded in the section 'Manufactured goods', particularly the product group 'Iron and steel'. The categories 'Chemical products' and 'Crude materials except for fuels' demonstrated potential for IIT development.

Undoubtedly, the expansion of volumes and forms of cooperation between the EAEU and Korea under the sanction regime is becoming more and more challenging. After Russia's invasion of Ukraine, the South Korean government introduced financial restrictions against Russia. In turn, Moscow included the Republic of Korea in its list of "Unfriendly Countries". However, Russian and Korean business people are looking for ways to continue relations, primarily in the economic sphere.

To develop cooperation based on the pursuit

of mutual interests, partners may focus on the opportunities in those industries that are not fully subject to restrictions. In this context, the production and distribution of cosmetics and beauty products, medical tourism, telemedicine, online education, accelerating cooperation involvement of small and medium-sized enterprises and venture capital companies, deserve special attention.

The EAEU and Korea have distinctive and highly complementary economic structures.

The magnitude of trade-related benefits has enhanced with mutual trade cooperation growth, despite the harsh geopolitical and economic conditions.

The availability of new statistical data will open the door to many conceivable extensions of this work, including the economic impact of Russia's invasion of Ukraine and the weakening status and centripetal force of the Eurasian Economic Union in the region. **KIEP**

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