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SOUTH KOREA'S ECONOMIC DEVELOPMENT AND TRADE RELATIONS WITH SERBIA: TRENDS AND PERSPECTIVES

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Abstract: The spectacular economic development of South Korea in recent decades has continuously intrigued economists, academic community and general public. Whether such a development model can be applied to other, less developed countries is one of the topics often explored in a number of studies and debates. Hence, the principles of South Korean development model and the economic parameters of its foreign trade today, are some of the research aims of this paper. The research focuses on economic relations between South Korea and Serbia, current trends and prospects for future economic cooperation through the analysis of comparative advantage of the most prominent export products and industries, using the RCA index. The analysis shows that Serbia has the potential to further improve cooperation with South Korea in several export sectors, that, coupled with investments in human resources and infrastructure, as well as active promotion of the Serbian market to South Korean companies, may represent one of the vectors of their future cooperation.

Keywords: South Korea-Serbia cooperation, Revealed Comparative Advantage, foreign trade, development model.

JEL classification: 014, L16, L52.

Introduction

The economic rise of South Korea and transition from underdeveloped to one of the most developed countries in the world is a subject of numerous studies and discussions.

The economic development of South Korea is often regarded as an Asian miracle, owing to the scope and velocity of implemented reforms that have led to spectacular results only in few decades. South Korea's economic expansion is considered a "Miracle on the Han River" and the country is considered one of the four "Asian Tigers" (a term denoting the impressive economic development of South Korea, Singapore, Hong Kong SAR and Taiwan). Despite relatively modest natural resources, economic reforms contributed to South Korea becoming one of the most developed countries in the world with a GDP per capita of USD 31,762 in just a few decades.

Whether developing countries could simply replicate such a model and achieve the same results is open to debate, given that a country's economic progress is often conditioned by numerous factors, specific to its economic environment that dictates the pace of the development. South Korea's economic development is based on export-oriented industrialization; its exports contribute to 4% in total world exports. South Korea's GDP grew by 67% in the last 13 years. Approximately, as much Serbia's GDP increased. However, notwithstanding the significant natural resources and skilled workforce, Serbia lags far behind South Korea, and its export potential is still not at the level of South Korea's. The current trade exchange between the two countries isn't impressive, but it has the potential for further improvement.

The aim of this study was to analyze current trends in trade between the two countries and prospects for future exchange, by analyzing the comparative advantages of the most dominant export products of both countries.
The study aimed to address the following research questions:

- What is South Korea's model of economic development, based on which it became one of the countries with the fastest GDP growth, and how did South Korea change the structure of exports, from once agrarian to an advanced high-tech economy today?
- What are the current trends in foreign trade and investment relations between Serbia and South Korea?
- What are possible directions for improving the cooperation between Serbia and South Korea and in which industry sectors does Serbia have comparative advantages, based on which it can increase the export of goods to the South Korean market?

The analysis of South Korea's economic development and trends in trade relations between the two countries encompassed testing the following hypotheses:

H_0: Serbia has substantial capacity to strengthen economic cooperation with South Korea and utilize available human and natural resources to attract FDI and increase exports;
H_1: The South Korean model of development could not simply be replicated to countries in development due to a diversity of factors that influence their progress.

1. Literature review

South Korea is the twelfth largest economy in the world, with a gross domestic product of USD 1.64 trillion (2019) and an unemployment rate of 3.7%. (World Bank)

In 2019, South Korea was the seventh largest exporter, the ninth largest importer and a global leader in advanced technologies and innovation. (Bloomberg Innovation Index, 2019)

After the period of Japanese administration (1910-1945), Korea was officially divided into two administrative areas: southern, governed by the United States, and northern, governed by the USSR. Year 1950 marked the beginning of the Korean war, with the invasion of North Korea (supported by China and the USSR) over the South (supported by the United States), that lasted until 1953, when, under the Armistice Agreement, North and South Korea were officially separated into two independent political entities.

Subsequent to the division, the country focused on restoration, infrastructure development and revival of the economy. Thenceforth, through the realization of a number of development plans, in just a few decades, South Korea became one of the most industrially developed countries in the world, from once poor, underdeveloped agrarian economy.

South Korea's economic development can be observed through the following development cycles:

∗ *Import substitution (1954-1960).* In the aftermath of the war, the government focused on reconstruction and economic development and relied on significant financial assistance from the United States. Around 70% of the U.S. financial support was directed towards the import of goods, mainly agricultural, petroleum products and fertilizers, and the rest - towards the manufacturing industry. (Haggard et al. 1990; pp.3-5) In the 1960s, South Korea's GDP was USD 3.9 billion or USD 158.25 per capita. (World Bank)

∗ *Export orientation (1961-1979).* In the early 1960s, South Korean economy was underdeveloped, and agriculture constituted 40% of GDP. (World Bank) During the 1960s, significant financial resources were invested in the development of infrastructure (roads, ports, telecommunications, and electricity).

Due to the foreign currency deficit (that was required for the import of equipment and technology), as well as the depletion of foreign exchange reserves, from 1964, the government began to promote export-oriented industrialization, through export subsidies and the promotion of light, labor-intensive industries where it had comparative advantages, such as the textile industry (silk, cotton, leather, wool), apparel industry and electrical appliances. (Mah, 2010; pp.4-5; Park, 2019; p.184).

In order to promote export, modernize industrial sector and increase competitiveness of the economy, the government adopted a strategy for financial support of export-oriented companies, by ensuring loans for imports of capital goods on preferential terms, whereas export companies were exempt from tariffs on imported goods and received tax and other benefits. (Yoo, 2008; p.47)

The new development strategy included the development of chemical and heavy industries (steel, iron, non-ferrous metals, shipbuilding, machinery), and export of high-tech products, which ultimately increased productivity and GDP.

After the 1960s, the capital reached South Korea in the form of loans, most commonly from USAID, the World Bank, the Asian Development Bank, and other U.S. and Japanese export-import banks. In the late 1970s, the share of manufacturing industry in total GNP increased from 16.3% in 1962 to 30.3% in 1979, and the share of agriculture and forestry decreased from 36.6% to 19.1%. (Yoo, 2008; p.36) However, owing to the inflow of commercial loans on favorable terms, in 1982 external debt raised to USD 37 billion, from USD 4 billion as reported ten years earlier. (Kim, 1991; p.35)

The Korean authorities supported the establishment of family conglomerates, the so-called *chaebols*, which acquired small, domestic firms and supported government economic goals, and in return received preferential loans and subsidies. These conglomerates focused on export, boosting competitiveness in global markets and played a key role in South Korea's modernization and economic growth. (Pęciak, 2018; p.316) Thus, the world-famous brands were born: LG, Hyundai, Samsung, Daewoo. Investments in technology and education, learning from advanced economies and the development of skills played a major role in South Korea's economic transformation (The Korea Economic Institute of America, 2015; p.8)

∗ *Stabilization period (after 1980).* In the late 1970s and early 80s, South Korea faced rising inflation and structural problems in the economy. In late 1979, the government adopted a package of measures for economic stabilization and proposed that the future development be market-driven, instead of previously pursued state intervention. (K-developedia, n.d) Before the 1997 crisis, the South Korean government had not significantly encouraged FDI, however, in the post crisis period, the inflow of currency became one of the priorities, and the government opened the industry to foreign investors, simplified FDI procedures and allowed the privatization of state-owned enterprises. (IDB, 2015, pp.6-13) With the deregulation and liberalization of the financial sector in the 1990s, banks and companies began to finance long-term investments through short-term foreign loans, which ultimately led to an increase in external debt in late 1997 (Kihwan, 2006; 3-5) During the same year, under the influence of the crisis in the region, South Korea faced the currency crisis (Asian crisis) - the growth of non-performing loans led to the bankruptcy of industrial conglomerates, and international rating

agencies lowered the country rating shortly thereafter. (Park, 2019; p.193) The acceptance of flexible exchange rate, the adoption of structural adjustment measures and agreements on loan reprogramming, allowed South Korea to gradually exit the crisis. (Dobardžić et al, 2016; p.55)

Between 1945 and 1999, South Korea received around USD 44 billion in foreign aid. The most prominent bilateral donors were the United States and Japan, and multilateral: the UN, the World Bank and the Asian Development Bank. (KEI, 2015; pp.8-10) From 1998 till date, the development of South Korea is centered on the implementation of advanced technologies, smart manufacturing, innovation and sustainable development. (KEI, 2015; p.45) South Korea's development policy for 2020 relies on principles of inclusive growth and industry innovation, and promotes the modernization of the manufacturing industry, the development of artificial intelligence in line with the Fourth Industrial Revolution, as well as the expansion of the biohealth industry, chips and future generation cars. (Ministry of Economy and Finance, South Korea)

2. Research methodology

The analysis of South Korea's foreign trade employed statistical data from databases such as: UN Comtrade, Trading Economics and the World Bank. It observed export and import value of goods for the past ten years, including geographical and commodity structure of imports and exports. The analysis of geographical structure relied on publicly available databases of international journals and literature published by international think tanks that closely monitor trends and development of the South Korean economy. The evaluation of economic relations between Serbia and South Korea included the trade exchange review between the two countries, based on the available data from the UN Comtrade database and the National Bank of Serbia.

Statistical analysis of Serbia's and South Korea's comparative advantages, respectively, applied the Revealed Comparative Advantage (RCA) Index, used in International Economics as a measure of a country's comparative advantage in terms of its products. It is based on Ricardo's concept of comparative advantage and is a useful tool for the analysis of country's export potential. Several studies have highlighted the adequacy of this indicator in the analysis of trade relations between countries and the potential for further trade expansion. (Ibrahim, 2015; Paula et al. 2017)

For the purpose of the review highlighted in this paper, publicly available databases such as: UN Comtrade and Trading Economics were utilized to collect data for the fifteen types of goods that appeared on the 2019 list of the most prominent export products for both countries, namely: electrical / electronic equipment, machinery, plastics, vehicles, iron and steel, rubber, furniture and

lighting, copper, cereals, fruits and nuts, mineral fuels, clothing, paper, aluminum, medical devices, chemicals and cosmetics. The time period for the analysis covered the interval 2010-2019.

The method of analysis implied the extraction of the following data:

a) Export values of the aforementioned products for Serbia, South Korea and total world's export of those products for the past ten years;
b) Total exports by year for both countries and
c) Total world's export of all types of goods between 2010-2019. Following data extraction, the value of the RCA index was calculated for each product and each year. The final step of the analysis involved the computation of the RCA mean value for both countries and comparison of those values, in order to determine the products where the two countries have comparative advantage or disadvantage.

3. South Korea's foreign trade and economic relations with Serbia

3.1 South Korea's foreign trade exchange

South Korea is the fourth largest economy in Asia and the largest ship manufacturer in the world: in 2019, total ship exports amounted to USD 18.9 billion (UN Comtrade). South Korea belongs to the group of world's largest car and semiconductor manufacturers. Seven to nine years ago, the share of exports in GDP was more than 50%; in 2019, with USD 542 billion worth export of goods and positive trade balance of USD 38.9 billion, the share of goods and services in GDP was 40%, and the share in the total world's export of goods about 4%. In the 1960s, agriculture participated with 36,56% in GDP, and industry with 17.3%. In recent years, the share of industry increased two-fold, while the share of agriculture decreased to 1.7%. (World Bank)

The largest volume of export in goods in the past ten years was recorded in 2018, worth USD 604.8 billion. In 2019, the value of imported goods decreased in comparison to the previous year, which saw the highest import in the past ten years.

With regards to services, the largest value of export for the previous four years and import for the past ten years was observed in 2018. It can be concluded that the foreign trade exchange of goods and import of services in 2018 reached the highest values for the past ten years.

In terms of frequently traded goods in 2019, semiconductors, cars, machinery, ships and electrical appliances / electronic equipment were dominant export products, while oil and electrical appliances were major import products.

Table 1 South Korea's foreign trade exchange between 2010-2019

	Import			Export		
Year	**Goods (USD)**	**Services (USD)**	**Goods and services (% GDP)**	**Goods (USD)**	**Services (USD)**	**Goods and services (% GDP)**
2019	503,262,910,727	n/a	36,9	542,171,769,089	n/a	39,8
2018	535,183,373,387	118,429,500,000	37	604,807,317,420	96,265,600,000	41,6
2017	478,469,167,573	116,788,100,000	36,2	573,627,368,937	87,108,000,000	40,9
2016	406,181,944,067	103,627,400,000	33,5	495,417,715,559	92,050,000,000	40,1
2015	436,486,934,609	103,089,700,000	36,1	526,753,006,361	94,590,700,000	43
2014	525,556,977,998	106,323,000,000	42,8	573,074,773,090	108,735,000,000	47,8
2013	515,572,970,448	100,985,100,000	46,7	559,618,558,899	100,381,500,000	51,3
2012	519,575,597,289	98,934,600,000	51,4	547,854,447,999	100,361,500,000	54,1
2011	524,405,223,775	93,151,500,000	52,2	555,208,897,965	88,142,300,000	53,3
2010	425,208,007,078	89,859,500,000	44,3	466,380,619,660	80,657,500,000	47,1

Source: UN Comtrade

China is South Korea's largest trading partner, with a share of 25% in total exports and 21% in total imports. (Trading Economics). The second, most significant trading partner is the United States. Around 40% of South Korea's export is intended for these two markets, which makes it vulnerable to external economic shocks and political instabilities. Excessive dependence on China could also expose South Korea to the risk of fluctuations in the Chinese market. (Garikipati, 2015) During the Korean War, China provided support to North Korea, while South Korea built close relations with the United States following the conflict. Subsequently, the relations between China and South Korea had been fragile for a long time, until 1992, when the two countries re-established bilateral relations and henceforward successfully improved, which resulted in an increase in the volume of exchange. The imports of goods from China in 2019, compared to 2009, increased by around 100%, while exports in the last ten years showed constant oscillations, recording an increase of around 90% in 2018, compared to 2009. (UN Comtrade) The most prominent trading products with China in 2019 were: electronic equipment, machinery, chemicals, iron and steel. (Trading Economics)

A significant portion of exports relates to goods assembled in China, which are either directed to South Korean companies operating in China or to third country markets. In the 1990s, Korea mainly exported textile products to China, whereas in the next two decades, the commodity structure of exports changed and included electronic devices, electronic data processing parts and telecommunications devices. In terms of imports, during the 1990s, clothes and agricultural products were predominant import products, i.e. labor intensive, light industries, whereas

two decades later those were semiconductors, computers and telecommunication devices, i.e. technology-intensive products (Nicolas, 2009; p.361, pp.349-350)

China's economic power and market share have significantly increased in recent years, so as the importance for the regional supply chain. Due to geographical proximity of their markets and potential for trade increase, South Korea, cognizant of China's role in the region, has, in recent years, focused on and continuously followed economic, in addition to security interests, traditionally pursued through cooperation with the United States. In the period to come, China will play an increasing role in shaping economic and political relations in the region and security on the Korean Peninsula, which is why improving economic relations with China, is very important for South Korea's economic prosperity and its regional interests.

In 2017, South Korea launched the initiative - *New Southern Policy*, with the aim of strengthening cooperation with countries in Southeast Asia, which could be considered as one of the avenues to decrease economic dependency on China. Both China and South Korea are members of the Regional Comprehensive Economic Partnership (RCEP) forum, along with 13 other Asian countries, which represents a potential for both countries to implement their ongoing programs: South Korea - *New Southern Policy*, and China *The New Silk Road*, which is expected to support China's aspirations and a growing role in the region. Economic and political relations between South Korea and China tightened in 2016, as a result of the deployment of the American anti-missile system THAAD (Terminal High Altitude Area Defense) on the territory of South Korea, as part of efforts to manage security threats from North Korea. China, however, characterized this move as a factor of destabilization in the region, which ultimately jeopardized economic relations between the two countries and businesses of South Korean companies. Hence the relations between South Korea and China are considered unstable, and largely influenced by the ongoing issues with North Korea and tensions between China and the United States.

Unlike the geographical structure of exports, which is mainly oriented towards Asian countries and regions (Vietnam, Hong Kong, Japan, India, Singapore), the structure of imports is somewhat more diversified and includes Middle Eastern countries such as Saudi Arabia, Qatar, Kuwait and the United Arab Emirates, where South Korea procures oil and gas from. (Trading Economics)

Russia is South Korea's third largest trading partner in Asia after China, as far as the value of imported goods is concerned. In 2017, South Korea presented a *New Northern Policy* initiative, aimed at strengthening bilateral relations with Russia in several strategic areas: gas supply and diversification of supply sources, construction of an industrial complex and cooperation in the field of transport and logistics, energy, agriculture, fishing and shipbuilding. (Zakharova, 2019; p.2) It is expected that upon the completion of this project the economic and political

relations between Russia and South Korea will further improve, so as trade exchange and security on the Korean Peninsula. Presently, the key export products of South Korea to Russia are vehicles, while the import of mineral fuels from Russia represents 80% of all imports from Russia, i.e. around 9% of the total South Korean imports of mineral fuels. (Trading Economics) The highest value of exported goods was recorded between 2011-2014, however, in 2019 total exports were at the level of 2010. In terms of import of goods, the highest values were registered in the past three years. (UN Comtrade)

The European Union is an important trading partner of South Korea and its largest foreign direct investor. (The European Commission) The largest volume of trade with the European Union relates to goods imported and exported from Germany. (Trading Economics)

3.2 Trade relations between Serbia and South Korea

Serbia established bilateral relations with South Korea in 1989. Despite relatively modest trade exchange and FDI inflows, the two countries have the potential to further improve economic cooperation. In 2019, Serbia celebrated 30 years of diplomatic relations with South Korea, when both countries expressed a commitment to further advance cooperation and bring the economies and cultures closer together.

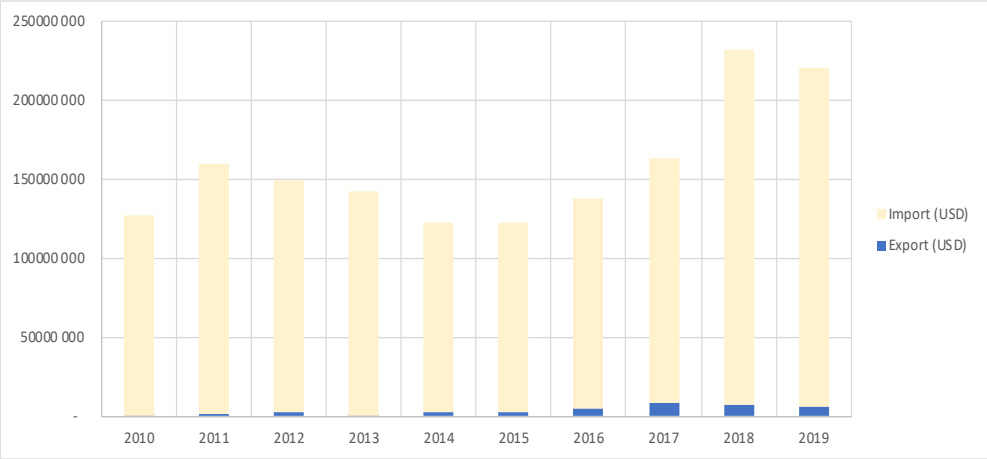
In recent years, economic cooperation between the two countries has largely focused on trade exchange, which is, despite an increase in the last five years, still far from its maximum potential. In line with the state's policy of opening up towards Asia, and in contrast to the level of achieved economic cooperation with China, Serbia's relations with South Korea are still far in intensity and volume, and could benefit further enhancement, at least when the volume of exchanged goods and the inflow of foreign direct investments are concerned.

Trade exchange with South Korea between 2010-2019, indicates an evident disproportion in the volume of imported and exported goods and trade deficit in Serbian trade balance. The largest decline in export of goods to South Korea was recorded in 2013, however, in the following years, the volume increased and in 2017 reached the highest value of USD 8.4 million, after which it declined again and in 2019, with USD 5.8 million of exports, represented a decrease of about 30% compared to 2017.

In terms of structure of exported goods, the key export products in 2019 were: soaps and cleaning products, edible and processed products, plastics and electrical equipment (mainly electric appliances and electricity distribution equipment). In terms of imports, from 2010, the volume of imported goods has significantly increased and reached the highest figures in 2018. The key import products were: electrical/electronic equipment (electronic circuit breakers, power distribution

equipment and electro-diagnostic apparatus), machinery, plastics, unclassified goods, iron and steel, pig iron and ferroalloys, steel alloys and rolled products), vehicles and vehicle equipment. (Trading Economics, Statistical Office of the Republic of Serbia)

Pic. 1 Serbia's trade exchange with South Korea between 2010-2019



Source: UN Comtrade

In terms of investment relations, unlike 2014, when no foreign direct investment from South Korea was recorded, in the next two years, over EUR 62 million was invested, which marked the period of the largest FDI inflows from South Korea in the past 10 years. Since 2016, the volume of FDI has been declining and in 2019 amounted to EUR 5.8 million. (NBS)

A relatively small number of companies from South Korea operate within the territory of Serbia. The first significant investment relates to the construction of an auto parts factory "YURA" in 2010, which has since expanded its capacity and today operates in three more locations. Another investment concerns the production of enameled copper wires - LS-Essex Europe. (Ekapija, 2018) The Korean "Kyungshin Cable" announced an investment for auto parts production and another investment has recently been announced and concerns the production of industrial gloves. In 2015, the Korean Trade and Investment Promotion Agency - KOTRA opened a representative office in Belgrade, which aimed to facilitate trade relations between Serbian and South Korean companies. (Embassy of the Republic of Korea in Serbia)

4. Prospects for future economic cooperation between South Korea and Serbia

Serbia's trade exchange with South Korea has not yet reached its full potential, but has the capacity for further enhancement, particularly for those types of goods where Serbia has comparative advantages. One of the ways to analyze possible directions for future trade exchange is the Revealed Comparative Advantage (Balassa) Index, which represents a ratio of product *k*'s share in country *i*'s exports to its share in total world exports. (Bacchetta et al., 2012; p.26) It is calculated as follows:

$$RCA_k^i = \frac{\frac{x_k^i}{x^i}}{\frac{x^k}{x}}$$

where x_k^i - total export of product *k* to country *i*, x^i - total exports of country *i*, x^k - total world export of product *k* and *x* - total world exports.

An RCA index value greater than 1 indicates the country has comparative advantage in exporting certain type of goods, while the value less than 1 indicates that the country has comparative disadvantage in exporting those goods.

Using export data of the fifteen most prominent export products for Serbia and South Korea, following the aforementioned formula, we calculated RCA values for each year for the period 2010-2019 and the mean value for both countries, which provided useful insights about products where the countries had comparative advantage or disadvantage.

Table 2. RCA Index of the key export products of Serbia

HS Code	Type of goods	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	Mean
85	Electrical, electronic equipment	1,191	0,926	0,863	0,828	0,682	0,741	0,768	0,839	0,679	0,574	**0,809**
84	Machinery, nuclear reactors	0,640	0,576	0,562	0,563	0,575	0,573	0,570	0,547	0,493	0,455	**0,555**
39	Plastics	1,469	1,465	1,442	1,453	1,469	1,498	1,705	1,498	1,654	1,521	**1,517**
87	Vehicles	0,506	0,815	0,993	1,208	1,437	1,857	2,073	0,764	0,332	0,283	**1,027**
40	Rubbers	4,514	4,786	4,336	3,640	3,554	3,265	3,068	2,855	2,991	3,013	**3,602**
72	Iron and steel	2,271	2,445	2,064	1,688	1,832	1,638	1,546	1,760	3,576	4,236	**2,306**
94	Furniture and lighting	3,473	2,333	2,245	2,062	1,928	1,750	1,694	1,857	1,893	1,821	**2,106**
74	Copper	4,175	4,171	4,216	3,951	3,628	3,361	3,648	4,884	5,458	5,003	**4,250**
10	Cereals	4,728	4,320	3,829	5,637	5,641	6,312	5,045	8,881	7,303	7,833	**5,953**
8	Fruits, nuts	4,128	4,809	5,719	5,899	6,987	6,655	6,250	6,797	7,905	7,246	**6,240**
27	Mineral fuels	0,268	0,260	0,244	0,280	0,277	0,240	0,283	0,209	0,244	0,336	**0,264**
48	Paper and paperboard	2,793	2,667	2,719	2,411	2,562	2,625	2,206	2,434	2,161	1,955	**2,453**
73	Articles of iron and steel	1,646	1,617	1,710	1,599	1,557	1,682	1,742	1,648	1,560	1,595	**1,636**
61	Articles of apparel	2,632	2,270	2,289	2,102	1,896	2,342	2,288	2,545	2,207	2,300	**2,287**
76	Aluminum	2,112	2,054	2,198	2,158	2,725	2,998	3,150	3,714	4,156	3,407	**2,867**
90	Optical, technical and medical apparatus	0,290	0,290	0,269	0,253	0,260	0,253	0,242	0,273	0,269	0,193	**0,259**
29	Organic chemicals	0,460	0,637	0,593	0,439	0,321	0,337	0,424	0,142	0,228	0,547	**0,413**
89	Ships and other floating structures	0,567	0,432	0,319	0,323	0,426	0,214	0,412	0,576	0,399	0,581	**0,425**
33	Essential oils, perfumes, cosmetics	0,325	0,365	0,384	0,423	0,458	0,437	0,436	0,479	0,440	0,447	**0,419**
38	Miscellaneous chemical products	0,222	0,268	0,267	0,235	0,276	0,289	0,243	0,302	0,271	0,265	**0,264**
28	Inorganic chemicals	0,572	0,627	0,540	0,486	0,394	0,271	0,435	0,497	0,510	0,237	**0,457**

Sources: UN Comtrade, Trading Economics

Table 3. RCA Index of the key export products of South Korea

HS Code	Type of goods	2019	2018	2017	2016	2015	14	2013	2012	2011	2010	Mean
85	Electrical, electronic equipment	2,23	2,098	1,951	1,872	1,840	1,910	1,987	1,807	1,804	1,821	**1,932**
84	Machinery, nuclear reactors	1,10	1,063	1,014	0,988	0,991	0,962	0,958	0,939	0,941	0,935	**0,989**
39	Plastics	1,80	1,686	1,600	1,631	1,595	1,687	1,757	1,674	1,605	1,604	**1,664**
87	Vehicles	1,20	1,243	1,294	1,481	1,598	1,709	1,804	1,763	1,705	1,584	**1,538**
40	Rubbers	1,25	1,297	1,263	1,345	1,258	1,365	1,348	1,395	1,294	1,255	**1,307**
72	Iron and steel	2,08	1,859	1,823	1,981	1,906	1,893	1,885	1,966	1,900	1,836	**1,913**
94	Furniture and lighting	0,29	0,216	0,220	0,266	0,254	0,319	0,354	0,322	0,259	0,187	**0,269**
74	Copper	1,02	0,997	0,953	1,037	1,060	0,979	0,948	0,900	0,898	0,912	**0,970**
10	Cereals	0,01	0,013	0,005	0,002	0,001	0,001	0,001	0,001	0,002	0,003	**0,004**
8	Fruits, nuts	0,05	0,051	0,044	0,047	0,043	0,047	0,051	0,053	0,047	0,062	**0,050**
27	Mineral fuels	0,78	0,683	0,608	0,605	0,613	0,592	0,567	0,614	0,546	0,459	**0,607**
48	Paper and paperboard	0,59	0,583	0,545	0,587	0,548	0,579	0,632	0,594	0,552	0,527	**0,573**
73	Articles of iron and steel	1,12	1,044	1,397	1,366	1,223	1,295	1,205	1,342	1,266	1,012	**1,227**
61	Articles of apparel	0,16	0,128	0,128	0,147	0,133	0,144	0,136	0,139	0,136	0,144	**0,140**
76	Aluminum	0,70	0,595	0,533	0,530	0,546	0,546	0,549	0,538	0,519	0,537	**0,559**
90	Optical, technical and medical apparatus	1,10	1,415	1,511	1,643	1,843	2,034	2,141	2,233	2,233	2,562	**1,871**
29	Organic chemicals	1,72	1,812	1,815	1,646	1,546	1,841	1,861	1,748	1,662	1,470	**1,712**
89	Ships and other floating structures	5,98	5,029	9,305	8,272	8,415	8,907	8,381	8,045	9,340	8,801	**8,048**
33	Essential oils, perfumes, cosmetics	1,25	1,337	1,161	1,148	0,808	0,536	0,381	0,321	0,271	0,296	**0,751**
38	Miscellaneous chemical products	0,62	0,697	0,575	0,587	0,597	0,605	0,631	0,601	0,633	0,603	**0,615**
28	Inorganic chemicals	1,53	1,407	1,247	1,178	1,015	1,007	0,841	0,824	0,984	0,822	**1,085**

Sources: UN Comtrade, Trading Economics

Table 4. Mean RCA values of the key export products for Serbia and South Korea

Type of goods	RCA Mean Serbia	RCA Mean South Korea
Electrical, electronic equipment	0,809	1,932
Machinery, nuclear reactors	0,555	0,989
Plastics	1,517	1,664
Vehicles	1,027	1,538
Rubbers	3,602	1,307
Iron and steel	2,306	1,913
Furniture and lighting	**2,106**	0,269
Copper	**4,250**	0,970
Cereals	**5,953**	0,004
Fruits, nuts	**6,240**	0,050
Mineral fuels	0,264	0,607
Paper and paperboard	**2,453**	0,573
Articles of iron and steel	1,636	1,227
Articles of apparel	**2,287**	0,140
Aluminum	**2,867**	0,559
Optical, technical and medical apparatus	0,259	1,871
Organic chemicals	0,413	1,712
Ships and other floating structures	0,425	8,048
Essential oils, perfumes, cosmetics	0,419	0,751
Miscellaneous chemical products	0,264	0,615
Inorganic chemicals	0,457	1,085

Based on Table 4, it can be observed that Serbia has comparative advantages in the export of cereals, fruits and nuts, copper, furniture and lighting, articles of apparel, paper and paperboard and aluminum. The highest RCA index relates to the export of fruits and nuts, cereals and copper (within the category of fruits, frozen fruits (HS code 0811) has the RCA value of 62.7 (South Korea's RCA value of the same product is 0.02).

Cereals currently represent the largest import product of South Korea from Serbia, with over 70% in total imports from Serbia, followed by the import of ores and slag with 22%. The highest RCA index South Korea has in the export of ships and electronic equipment. Serbia also has a comparative advantage in the export of roofing tiles (HS code 6905, Serbia's RCA 41,35, South Korea's RCA 0,00), and in the export of lead ores (HS code 2607, Serbia's RCA 7,00, South Korea's RCA 0,00).

Conclusion

Notwithstanding the fact that South Korea's economic development is often considered a model potentially applicable to less developed countries, the extent to which it can be replicated to other countries depends on economic, social, political, demographic and other factors that condition and determine their economic development.

South Korea's economic rise in the early stages of development was based on import substitution, but export-orientated industrialization soon became the basic principle of development, as well as the promotion of heavy industries such as shipbuilding and metal industry. Industrial conglomerates were the main drivers of South Korea's development, as they ensured country's export triumph and contributed to South Korea becoming one of the ten largest exporters in the world. Since the 1990s, South Korea's development has been based on innovation and smart technology, sustainable development and knowledge, and today South Korea is a global leader in innovation and technology development.

Current trade and investment relations between Serbia and South Korea are not sufficiently developed. Serbia has a significant potential to strengthen the economic cooperation with South Korea and use human, natural and other available resources to attract FDI and increase exports. Serbia ranks 44/190 in the World Bank's *Doing Business Index*, has a skilled workforce and favorable geographical position as it lies at the "crossroads of Europe". Serbia also offers the possibility of conducting business within free zones and has a free access to the market of over 1.3 billion consumers, through free trade agreements (with Russia, Belarus, Kazakhstan, EFTA, CEFTA and Turkey) or general preferential system (RAS, 2020). Large investments in infrastructure development currently taking place in Serbia have a positive impact on attracting FDIs, strengthening foreign trade and connection with other regional markets.

The economic development of Serbia and South Korea took place in different circumstances, starting from the late 1950s. Despite the initial success in the 1950s and 1960s, a period of extremely difficult political and economic challenges began in Serbia in the 1980s, which left serious consequences on the country's overall economic development. Constitutional and territorial changes, disintegration of the state union, UN sanctions, military interventions, inadequate development strategy, high indebtedness and hyperinflation, are some of the difficult circumstances that Serbia (then Yugoslavia) faced at the time, many of which are still an impediment to economic growth and export expansion. South Korea, on the other side, faced no such challenges. Throughout the development process, it enjoyed financial support from the most developed country in the world - the United States, both in infrastructure and economic development.

In trade with South Korea, Serbia has a comparative advantage in the export of cereals, fruits and nuts, furniture, lead, copper, aluminum, paper, articles of apparel and roofing tiles, which presents possible alternatives for further export expansion to South Korea.

The advancement of South Korea's economic relations and regional cooperation with China and Russia could create new prospects for the advancement of Serbia - South Korea economic cooperation, given that both Russia and China are Serbia's key strategic partners.

The promotion of the Serbian market to South Korean companies is particularly relevant for attracting foreign direct investments, increasing exports and employment, as well as deepening economic ties between the two countries. The current policy of opening up towards Asia is expected to contribute to a better integration of the economies and cultures between Serbia and South Korea, given the potential and readiness of both sides to further develop their bilateral relations.

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EKONOMSKI RAZVOJ JUŽNE KOREJE I TRGOVINSKI ODNOSI SA SRBIJOM: TRENDOVI I PERSPEKTIVE BUDUĆE SARADNJE

Apstrakt: Spektakularni privredni razvoj Južne Koreje poslednjih decenija neprestano intrigira ekonomiste, akademike i širu svetsku javnost. Da li je moguće primeniti takav model razvoja na zemlje u razvoju, jedna je od često analiziranih tema u brojnim studijama i diskusijama. Na kojim principima se temelji njen ekonomski razvoj i kakvi su danas ekonomski parametri njene spoljne trgovine, predmet je istraživanja u ovom radu. Cilj istraživanja je i analiza modela razvoja Južne Koreje i njenih ekonomskih odnosa sa Srbijom - trenutnih trendova, kao i potencijala buduće ekonomske saradnje dveju zemalja, analizom komparativnih prednosti najistaknutijih izvoznih proizvoda i industrija, primenom RCA indeksa. Analiza pokazuje da Srbija ima potencijal da unapredi saradnju sa Južnom Korejom u nekoliko izvoznih sektora, koji, u kombinaciji sa ulaganjem u ljudske resurse i infrastrukturu, kao i aktivnom promocijom kvaliteta srpskog tržišta južnokorejskim firmama, može biti jedan od pravaca buduće saradnje.

Ključne reči: saradnja Srbije i Južne Koreje, komparativne prednosti, spoljna trgovina, model razvoja

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