

UNIVERSITY OF LATVIA

MASTER'S THESIS

RIGA 2025

UNIVERSITY OF LATVIA
FACULTY OF ECONOMICS AND SOCIAL SCIENCE
DEPARTMENT OF ECONOMICS

EUROPEAN STUDIES AND ECONOMIC DIPLOMACY
MASTER'S PROGRAMME

Economic Relations between South Korea and the European Union:
A Focus on Latvia's Role and Potential

Dienvidkorejas un Eiropas Savienības ekonomiskās attiecības:
Latvijas lomas un attīstības potenciāla analīze

MASTER'S THESIS

Author: Hwijje Im

Student ID Number: HI16003

Academic Supervisor: Ph.D. lect. Vecuma-Veco Annija

Riga 2025

Annotation

This master's thesis, titled "Economic Relations between South Korea and the European Union: A Focus on Latvia's Role and Potential," examines the dynamics of economic interaction among South Korea, the EU, and Latvia. The study begins by establishing a theoretical framework for understanding international economic relations. It then analyzes the legal framework, trade flows, and investment patterns between South Korea and the EU, with a focus on Latvia's specific exchanges. Employing qualitative and quantitative methods, the research identifies key factors influencing these relations, highlighting barriers and opportunities for enhanced collaboration, and assesses Latvia's potential within this economic landscape.

Keywords: economic relations, European Union, foreign direct investment, international trade, Latvia, South Korea

Anotācija

Šis maģistra darbs ar nosaukumu "Dienvidkorejas un Eiropas Savienības ekonomiskās attiecības: Latvijas lomas un attīstības potenciāla analīze" pēta ekonomiskās mijiedarbības dinamiku starp Dienvidkoreju, ES un Latviju. Darbs sākas ar teorētiskā ietvara izveidi starptautisko ekonomisko attiecību izpratnei. Tālāk tiek analizēts tiesiskais regulējums, tirdzniecības plūsmas un investīciju modeļi starp Dienvidkoreju un ES, īpašu uzmanību pievēršot mijiedarbībai ar Latviju. Izmantojot kvalitatīvās un kvantitatīvās metodes, pētījums identificē galvenos faktorus, kas ietekmē šīs attiecības, izceļot šķēršļus un iespējas ciešākai sadarbībai, kā arī novērtē Latvijas potenciālu šajā ekonomiskajā ainavā.

Atslēgvārdi: ekonomiskās attiecības, Eiropas Savienība, ārvalstu tiešās investīcijas, starptautiskā tirdzniecība, Latvija, Dienvidkoreja

TABLE OF CONTENTS

LIST OF ACRONYMS AND ABBREVIATIONS.....	5
INTRODUCTION.....	7
1. THEORETICAL AND CONCEPTUAL FRAMEWORK OF INTERNATIONAL ECONOMIC RELATIONS.....	12
1.1 Understanding international economic relations.....	12
1.2 Factors influencing international economic relations.....	17
1.3 Key theories and models in international trade.....	24
2. ANALYSIS OF THE ECONOMIC RELATIONS: SOUTH KOREA AND THE EUROPEAN UNION, WITH A FOCUS ON LATVIA.....	28
2.1 Legal framework for trade and investment between South Korea and the EU.....	28
2.2 Comprehensive analysis of trade and investment between South Korea and the EU...32	
2.3 Comprehensive analysis of trade and investment between South Korea and Latvia....43	
3. RESEARCH ON FACTORS INFLUENCING ECONOMIC RELATIONS BETWEEN SOUTH KOREA, EUROPEAN UNION AND LATVIA.....	55
3.1 Methodology.....	55
3.2 Qualitative analysis and answers to the research questions.....	58
3.3 Quantitative analysis and hypothesis testing.....	65
CONCLUSION.....	76
RECOMMENDATION.....	78
LITERATURE AND SOURCES.....	80
APPENDICES.....	88

LIST OF ACRONYMS AND ABBREVIATIONS

- AI: Artificial Intelligence
- BIT: Bilateral Investment Treaty
- DSM: Dispute Settlement Mechanism
- DTA: Digital Trade Agreement
- ECB: European Central Bank
- EU: European Union
- FDI: Foreign Direct Investment
- FPI: Foreign Portfolio Investment
- FTA: Free Trade Agreement
- GATT: General Agreement on Tariffs and Trade
- GDP: Gross Domestic Product
- IBM: International Business Machines Corporation
- IER: International Economic Relations
- IGO: Intergovernmental Organization
- IMF: International Monetary Fund
- KOTRA: Korea Trade-Investment Promotion Agency
- KSC: Korea Startup Center
- LIAA: Investment and Development Agency of Latvia
- MFN: Most-Favored-Nation
- MNC: Multinational Corporation
- MOU: Memorandum of Understanding
- NAFTA: North American Free Trade Agreement
- NGO: Non-Governmental Organization
- ODA: Official Development Assistance
- OECD: Organisation for Economic Co-operation and Development

- PMR: Product Market Regulation
- R&D: Research and Development
- SCM: Supply Chain Management
- TT: Technology Transfer
- V4: Visegrád Four Countries
- WTO: World Trade Organization

INTRODUCTION

The intricate relationship between international relations and economic development is increasingly pronounced in the globalized world. The establishment of robust diplomatic and economic ties has become paramount for nations striving for sustainable growth. These connections facilitate access to foreign markets, attract crucial investment, secure vital development assistance, and promote the indispensable exchange of technology. Such relationships foster an environment of stability and cooperation, widely recognized as fundamental pillars for long-term economic prosperity. Consequently, understanding the evolving dynamics of strategic partnerships and diplomatic engagements between nations and regional blocs is essential to comprehend the patterns and potential of international economic collaboration within the complex modern global system. This research examines the economic relationship between South Korea and the European Union, with a particular focus on Latvia's role and potential within this partnership. While the broader South Korea-EU economic relationship is well-documented, Latvia's specific and nuanced role within this partnership remains a less explored area, offering potential for novel research insights into the dynamics and opportunities for smaller EU member states.

The relationship between South Korea and the European Union has evolved significantly since the establishment of diplomatic ties with the European Economic Community in 1963,¹ marked by milestones such as the 2001 Framework Agreement for Trade and Cooperation,² and the later EU–South Korea Free Trade Agreement (FTA) and Digital Trade Agreement (DTA).³ Within this broader context, South Korea and Latvia have also steadily strengthened their bilateral ties since 1991. Latvia's accession to the EU in 2004 further enhanced opportunities for economic cooperation between the two nations, aligning them within shared EU–Korea frameworks and expanding trade and investment potential.

South Korea, officially known as the Republic of Korea, emerged from the Korean War as one of the poorest countries in the world, with an economy primarily based on agriculture. Today, it ranks among the world's largest economies, having achieved remarkable

¹ Korea-EU, Embassy of the Republic of Korea to the Kingdom of Belgium and the European Union and Permanent Mission to the North Atlantic Treaty Organization. Available https://overseas.mofa.go.kr/be-en/wpge/m_7448/contents.do# [accessed May 25, 2025].

² Framework Agreement for Trade and Cooperation between the European Community and its Member States, on the one hand, and the Republic of Korea, on the other hand, European Council Council of the European Union. Available <https://www.consilium.europa.eu/en/documents/treaties-agreements/agreement/?id=1996016> [accessed May 25, 2025].

³ EU-South Korea Free Trade Agreement and Digital Trade Agreement, European Commission. Available https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea/eu-south-korea-agreements_en [accessed May 25, 2025].

growth driven by its strengths in technology, electronics, heavy industry, and the automotive sector.

The European Union (the EU) is the largest and most advanced form of regional cooperation in the world. Comprising 27 member states, the EU includes Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden. The European Union is a prominent player in international trade, serving as one of the world's largest trading blocs. As a major player in international trade, the EU represents a substantial portion of global exports and imports. It negotiates trade agreements as a unified entity and is also a leading provider of development aid to support developing nations.⁴

Latvia regained its independence from the Soviet Union in 1991 and began the difficult process of moving from a planned economy to a market-based one. In the early years, the country faced many challenges, including rebuilding its economy and forming new international relationships. However, Latvia has made strong progress since then. It became a member of the European Union in 2004 and has developed several important industries, such as information technology, wood processing, logistics, and high-value services.⁵

The **research questions** of this master thesis are:

1. *Has there been a significant increase in trade and investment between South Korea and the EU since the implementation of the FTA?*
2. *What key factors currently prevent Latvia and South Korea from realizing their full economic collaborative potential?*

The **aim** of this research is to identify the factors that affect economic relations between South Korea and the European Union, with a focus on Latvia, in order to assess Latvia's current role and explore its potential to strengthen future trade and investment cooperation.

⁴ EU position in world trade, European Commission. Available https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/eu-position-world-trade_en [accessed May 25, 2025].

⁵ Industries, Investment and Development Agency of Latvia. Available <https://www.liaa.gov.lv/en/trade/industries> [accessed May 25, 2025].

The object of Research: Economic Relations between South Korea and the European Union.

The subject of Research: Latvia's role in the economic relations between South Korea and the European Union.

The following **research tasks** have been listed:

- To explore the essence of international relations and key trade theories.
- To examine global trade dynamics and the role of economic organizations and agreements.
- To analyze trade and investment dynamics between South Korea-EU and South Korea-Latvia.
- To conduct an empirical study through stakeholder interviews.
- To identify critical factors influencing economic cooperation between South Korea, the European Union, and Latvia.
- To synthesize findings and formulate recommendations for strengthening economic cooperation between South Korea, the EU, and Latvia.

Achieving the research aim and tasks will offer particularly notable insights into the dynamics of economic cooperation between South Korea and the European Union, with a specific focus on Latvia. This is particularly important due to foreign direct investment (FDI) in the Baltics as a whole being a relatively new and unstudied field according to Tvaronavičienė and Burinskas (2022)⁶. Consequently, this research has the potential to be of practical use to scholars studying the economic links between South Korea and Latvia, as well as business professionals seeking to foster greater trade and investment between these nations. By analyzing the intricacies of this relationship, this study aims to identify pathways for stronger and more mutually beneficial economic ties.

⁶ Tvaronavičienė, M., & Burinskas, A. (2022). Review of studies on FDI: The case of Baltic States. 15(2), p.210-225.

Hypothesis:

H1: Latvia's membership in the European Union, while providing access to the broader EU-South Korea trade framework, has not resulted in a proportionally equivalent increase in South Korean foreign direct investment compared to other EU member states with similar market characteristics.

H0: Latvia's membership in the European Union has resulted in a proportionally equivalent increase in South Korean foreign direct investment compared to other EU member states with similar market characteristics, after controlling for GDP, Population, Product Market Regulation, and Corporate Tax Rate.

Methodology:

In this research, both primary and secondary data were used to ensure a comprehensive analysis. Primary data were collected through stakeholder interviews to gain qualitative insights into the perceptions and experiences of key actors involved in EU–South Korea–Latvia economic relations. Secondary data, sourced from books and online academic resources, and official databases were analyzed using quantitative methods. This research adopts a mixed-methods approach to answer the research questions, empirically test the formulated hypothesis, and identify the factors shaping the economic relations between South Korea and the European Union, with particular attention to Latvia's role.

The master thesis consists of an Introduction, Theoretical Framework, Analytical Section, Empirical Analysis, Conclusion, Recommendations, Bibliography, and Appendices. The first chapter, titled ‘Theoretical Framework,’ draws on information from a variety of books, scholarly articles, and reputable online sources. This chapter provides an in-depth exploration of international relations, key theories and models in international trade, the dynamics of global trade in the modern era, and the role of economic institutions and agreements.

The second chapter of the thesis, titled ‘Analytical Section,’ analyzes statistical data on trade and investment between South Korea, the European Union, and Latvia. It examines the legal frameworks and regulatory agreements governing trade and investment, followed by a detailed analysis of the economic exchanges and investment patterns between South Korea and both the EU and Latvia.

The third chapter of the thesis, titled ‘Empirical Analysis,’ presents data gathered from interviews with economic experts focusing on South Korea-Latvia relationship, as well as the

application of selected quantitative methods to examine the factors influencing economic relations between South Korea, the European Union, and Latvia.

Limitations:

Insights into the South Korea-Latvia economic relationship were gained through primary data collection involving engagement with experts from both private and government sectors. While many expressed interest, nondisclosure agreements, proprietary information, and concerns regarding potential identification limited participation. Despite the offer of anonymity and a focus on broader trends, securing widespread, attributable participation in formal academic research proved challenging which affected the research process.

Furthermore, this research was limited by the scarcity of publicly accessible, detailed secondary data on this specific bilateral relationship. While EU and national statistics offered valuable context, granular data on direct trade and investment were often confidential, thereby hindering in-depth quantitative analysis in certain areas.

It is also important to acknowledge that some economic data, specifically GDP figures originally denominated in USD, were converted to EUR for the purpose of currency consistency within this study. Given the inherent volatility of global currency exchange rates, the converted EUR values may not perfectly reflect real-time market rates at the time of reading.

Additionally, the research period itself, with stakeholder interviews and data collecting period conducted between February 2025 and May 2025, represents a specific snapshot in time. Nevertheless, the insights gleaned from expert consultations and the contextual understanding provided by broader statistical data offer a foundational contribution to the limited existing scholarship on this specific economic relationship, paving the way for future, potentially more data-rich investigations.

1. THEORETICAL AND CONCEPTUAL FRAMEWORK OF INTERNATIONAL ECONOMIC RELATIONS

The first chapter introduces the foundational concepts necessary for understanding international economic relations. It explores the nature and scope of economic interactions between countries, identifying the key factors that influence these relationships. Additionally, the chapter provides an overview of the main theories and models that explain patterns and mechanisms of international trade, laying the theoretical groundwork for analyzing real-world economic partnerships.

1.1 Understanding international economic relations

International economic relations (IER) are primarily defined by the movement of people, goods, capital, and ideas. These four elements are essential to the production of economic wealth, and their distribution on a global scale significantly influences the economic performance of individual nations. The most fundamental link between national economies and the global economy is through the exchange of goods and services.⁷

One of the main components of international economic relations is trade. Trade is the voluntary exchange of goods, services, assets, or money between individuals or organizations and one another. This voluntary nature implies that all parties involved in a transaction must anticipate a mutual benefit; otherwise, the exchange would not occur. Meanwhile, international trade refers specifically to trade between residents of two or more countries. These residents can include individuals, firms, non-profit organizations, or other types of associations.⁸

A further significant dimension is international investment, whereby residents of one country supply capital to another. This international investment is broadly categorized into two primary forms: foreign portfolio investment (FPI) and foreign direct investment (FDI). The fundamental distinction between these categories rests on the concept of control. Specifically, FPI encompasses passive holdings of securities, such as foreign stocks, bonds, or other financial assets, where the investor typically does not seek to exert influence over the management of the foreign entity. Conversely, FDI involves the acquisition of foreign assets with the principal objective of establishing control over their utilization and operation. FDI can manifest in diverse ways, including the purchase of existing assets within a foreign

⁷ Schenk, C. R. (2021). *International Economic Relations Since 1945*. Taylor & Francis. p.1.

⁸ Griffin, R. W., & Pustay, M. W. (2013). *International Business*. Pearson. p.171

country, the establishment of new facilities in property, plant, and equipment, and participation in a joint venture with a local partner.⁹

Another important component is technology transfer (TT) which involves the process of moving scientific and technological innovations from research environments to commercial applications and broader societal use. This process also includes the transfer of related skills, methodologies, and procedures, making it an integral component of technological innovation.¹⁰

A further significant aspect is labor migration which is the movement of individuals across borders or within their own country for employment purposes.¹¹ Migrant workers play a vital role in fostering economic growth and development in the countries where they are employed, while their countries of origin benefit significantly from the remittances (refer to the financial transfers made by migrant workers to their families and communities in their home country, involving the movement of funds from the host country back to the country of origin¹²) they send and the skills they acquire abroad.¹³

The final component discussed is development aid. Official Development Assistance (ODA), also known as development aid, is the standard term used by the Organisation for Economic Co-operation and Development (OECD) to measure government-provided assistance that promotes and specifically targets the economic development and welfare of low- and middle-income countries. This financial support from official providers to aid recipients primarily consists of grants or "soft" loans and is directed towards crucial areas such as health, sanitation, education, and infrastructure, constituting over two-thirds of external finance for least-developed countries.¹⁴

⁹ Griffin, R. W., & Pustay, M. W. (2013). *International Business*. Pearson. p.188

¹⁰ What is technology transfer? | Knowledge for policy, European Commission. Available https://knowledge4policy.ec.europa.eu/technology-transfer/what-technology-transfer_en [accessed May 25, 2025].

¹¹ Labour migration, European Commission. Available https://home-affairs.ec.europa.eu/networks/european-migration-network-emn/emn-asylum-and-migration-glossary/glossary/labour-migration_en [accessed May 25, 2025].

¹² *Remittances - Migration*, World Bank. Available <https://www.worldbank.org/en/topic/migration/brief/remittances-knomad> [accessed May 25, 2025].

¹³ *Labour migration*, International Labour Organization. Available <https://www.ilo.org/topics-and-sectors/labour-migration> [accessed May 25, 2025].

¹⁴ *Official development assistance (ODA)*, OECD. Available <https://www.oecd.org/en/topics/official-development-assistance-oda.html> [accessed May 25, 2025].

Actors involved in international economic relations

Countries play a crucial role in shaping international economic relations through policy decisions that drive economic globalization. By adopting market-oriented policies, national governments facilitate global economic integration, including trade liberalization and financial deregulation. Despite the widespread belief that globalization operates independently, it is driven by the actions of individual nations. However, the influence of powerful countries often dominates international economic frameworks, which may not always benefit developing nations. Ensuring inclusive global policies that address the interests of all countries remains a key challenge in the globalized economy.¹⁵

Another actor is an international organization denoting an entity created by a treaty or other legal instrument under international law, endowed with its own international legal personality. Notably, membership in international organizations is not exclusively limited to states and can incorporate other recognized entities.¹⁶

A significant number of international organizations are intergovernmental organizations (IGOs), meaning they are established through agreements between multiple governments. Currently, there are over 300 intergovernmental organizations globally.¹⁷ Three key intergovernmental economic organizations are the World Trade Organization (WTO), International Monetary Fund (IMF), and World Bank.

There are also non-governmental organizations (NGOs) which are private entities that operate independently of government influence. While some NGOs function within a single country, others have an international presence. These organizations play a crucial role in highlighting potential abuses and often focus on addressing specific issues or causes.¹⁸

A further key actor is a multinational corporation (MNC) which can be defined as an enterprise that originates in one country but operates through wholly or partially owned subsidiaries in one or more foreign national economies.¹⁹ Multinational corporations have a long history, with early examples such as the Dutch East India Company or the Massachusetts Bay Company often cited as precursors to modern MNCs like International Business Machines Corporation (IBM) or Sony. However, these early transnational enterprises wielded

¹⁵ Bertucci, G., & Alberti, A. (2003). *Globalization and the Role of the State: Challenges and Perspectives*. p.2.

¹⁶ *international organization*, UN environment programme. Available <https://leap.unep.org/en/knowledge/glossary/international-organization> [accessed May 25, 2025].

¹⁷ *International Organization*, National Geographic. Available <https://education.nationalgeographic.org/resource/international-organization/> [accessed May 25, 2025].

¹⁸ Daniels, J. D., Radebaugh, L. H., & Sullivan, D. P. (2017). *International Business: Environments & Operations*. Pearson. p.248.

¹⁹ Gilpin, R., & Gilpin, J. M. (2001). *Global Political Economy: Understanding the International Economic Order*. Princeton University Press. p.278.

far greater political and military power than today's MNCs, which, despite their economic influence, operate under more regulated and constrained global governance structures.²⁰

The role of multinational corporations is a central aspect of the globalization of the global economy. However, there is considerable debate regarding the implications of corporate globalization for both domestic and international economic dynamics. Some scholars argue that MNCs have detached themselves from their home economies, evolving into powerful autonomous entities that influence international economic and political affairs. In contrast, others contend that MNCs continue to be closely tied to their home economies, with their actions shaped by domestic interests.²¹

The majority of multinational corporations are primarily engaged in manufacturing, retail, and service industries, operating at regional or global scales and generally following international corporate strategies. With few exceptions, contemporary MNCs play a vital role as key providers of capital and technology essential for economic development.²²

²⁰ Gilpin, R., & Gilpin, J. M. (2001). *Global Political Economy: Understanding the International Economic Order*. Princeton University Press. p.278-279.

²¹ Ibid. p.278.

²² Ibid. p.279.

Benefits and risks of international economic relations

	Benefits	Risks
Trade	<ul style="list-style-type: none"> ● more goods and services available ● lower prices ● more jobs in export sectors 	<ul style="list-style-type: none"> ● job losses in some industries ● too much dependence on other countries
Finance	<ul style="list-style-type: none"> ● access to money for investment ● helps build infrastructure and grow economies 	<ul style="list-style-type: none"> ● financial crises can spread quickly ● risk of too much debt
Development	<ul style="list-style-type: none"> ● faster economic growth ● better technology and skills ● more global jobs 	<ul style="list-style-type: none"> ● rich and poor gap can grow ● workers may be treated unfairly
Environment	<ul style="list-style-type: none"> ● countries can work together to solve global issues 	<ul style="list-style-type: none"> ● pollution and resource overuse ● poor countries may suffer most

Source : Prepared by the author on the basis of Ravenhill, J. (2017). *Global Political Economy* (5th ed.). Oxford University Press. p.52-412.

Table 1.1 offers a range of benefits of international economic relations, including increased access to goods and services through trade, the ability to secure foreign capital for development, and the promotion of economic growth and technological advancement, particularly in emerging economies. These interactions can also foster international cooperation in addressing global challenges, such as environmental degradation. However, these benefits are tempered by significant risks. Trade can lead to structural unemployment in less competitive industries and heighten dependence on external markets, while financial integration exposes countries to global economic instability and the accumulation of unsustainable debt. Economic development, although accelerated by global engagement, can exacerbate inequality and lead to exploitation of labor in developing nations. Furthermore, the

environmental costs of unchecked economic activity often fall disproportionately on poorer countries, who are least responsible for global environmental issues. Thus, while international economic relations contribute to global prosperity, they also require careful management to ensure that the benefits are equitably distributed and the risks mitigated.

1.2 Factors influencing international economic relations

Macroeconomic influences

Macroeconomics is principally concerned with the systemic and aggregate dimensions of economic activity, distinguishing it from the micro-level analysis of individual market behavior. This discipline engages with overarching questions that illuminate the interrelated dynamics of an entire economic system. Central to macroeconomic inquiry is the examination of fluctuations in employment at the aggregate level, reflecting the interplay between labor markets and the broader economy. It also assesses changes in overall demand and the corresponding responses of firms, thereby addressing the interconnected processes of consumption, investment, and production across sectors. In addition, macroeconomics investigates the determinants of general price level changes, emphasizing the relationship between monetary factors and the economy's purchasing power. As such, macroeconomics offers a comprehensive framework for understanding the structural and dynamic forces that shape economic activity at the national or economy-wide scale, highlighting how developments in one part of the economy can influence outcomes across the entire system.²³

Globalization vs. Fragmentation

Globalization refers to the process through which organizations expand their products and services to a global scale rather than focusing solely on local markets. This process involves the removal of trade barriers, resulting in both economic and political consequences.²⁴ In economic terms, globalization refers to the increasing interconnectedness and interdependence of regions and economic actors across national borders.²⁵ However, globalization is slowing down, or potentially reversing into its opposite fragmentation due to the simultaneous structural challenges.²⁶

Fragmentation refers to the resistance to globalization, resulting in divisions and disruptions within societies or regions. While globalization fosters interconnectedness and uniformity, fragmentation arises as communities or regions strive to preserve their unique

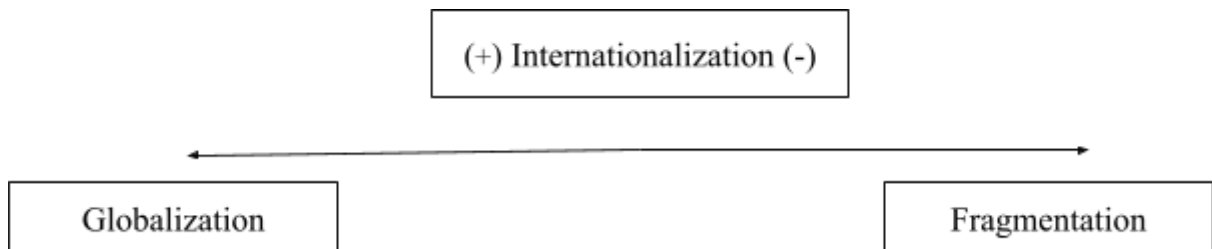
²³ Harvey, J., & Johnson, M. (1971). *Introduction to Macro-economics*. Macmillan. p.15.

²⁴ Cartwright, R. (2004). *Mastering the Globalization of Business*. Macmillan Education UK. p.7.

²⁵ Rugman, A. M., Collinson, S., & Narula, R. (2016). *International Business*. Pearson. p.6.

²⁶ Binda, V., & Colli, A. (2024). *Globalization: A Key Idea for Business and Society*. Taylor & Francis. p.126.

cultural identities, economic systems, and traditional lifestyles. This conflict often leads to political tensions, social instability, and economic disparities. Fragmentation occurs unevenly, with certain areas embracing globalization, while others resist it. Thus, fragmentation underscores the ongoing tension between globalizing and localizing forces, demonstrating that the world economy produces diverse outcomes across different regions.²⁷



*Figure 1.1 The globalization/fragmentation continuum*²⁸

As Figure 1.1 illustrates, degrees of international economic integration can be positioned along a continuum between globalization and fragmentation. At the globalization end, there is the concept of a "borderless world," where all obstacles to the movement of production factors have been eliminated. On the opposite end lies a world of individual nation-states, still separated by persistent trade and commerce barriers. In reality, the situation falls somewhere in between: as barriers are removed and the economy becomes more globalized, the world shifts toward the globalization end, while the introduction of barriers signals a move toward fragmentation and less international integration.²⁹

Geopolitics

A further factor is geopolitics refers to the competition for control over geographical entities with international and global significance, with the aim of leveraging these entities for political advantage.³⁰ Geopolitics can be divided into 3 approaches. Classical geopolitics emerged during European colonial expansion, framing global regions hierarchically and justifying dominance through claims of superiority. Focused on state competition and territorial control, it supported imperialism and resource exploitation. Though historically rooted, its influence persists in modern strategic policies, often reflecting the interests of powerful states.³¹

²⁷ Stutz, F. P., & Warf, B. (2012). *The World Economy: Geography, Business, Development*. Prentice Hall.p.16.

²⁸ Johnson, D., & Turner, C. (2003). *International Business: Themes and Issues in the Modern Global Economy*. Routledge. p.10.

²⁹ Ibid. p.10.

³⁰ Flint, C. (2021). *Introduction to Geopolitics*. Taylor & Francis. p.15.

³¹ Ibid. p.4.

Critical geopolitics emerged in the 1990s as a postmodern critique of traditional, state-centered geopolitics. It examines how language, media, and political discourse construct dominant narratives, revealing hidden power structures and ideological biases that shape public and policy perceptions of global affairs.³²

Feminist geopolitics emerged as a critique of traditional and critical approaches, challenging simplistic binaries in geopolitical discourse. It emphasizes the interconnectedness of people and places and promotes a bottom-up analysis rooted in lived experience. Rather than relying solely on abstract models, it calls for understanding geopolitical processes through the real-world experiences of individuals in specific contexts.³³

Legal Framework

After World War II, advanced democracies, particularly the United States, adopted a policy focused on reducing barriers to international trade. This approach was based on the belief that free trade not only fosters prosperity but also contributes to global peace. During the first half of the 20th century, several significant free trade agreements (FTAs) were established, for example NAFTA.(North American Free Trade Agreement)³⁴

Free Trade Agreements (FTAs) are agreements between two or more nations in which they commit to removing tariffs and non-tariff barriers on goods traded among member countries. However, each country continues to enforce its own trade policies, including tariffs, for imports from non-member nations.³⁵

The primary objective of a Free Trade Agreement (FTA) is to eliminate tariffs among member countries, fostering increased trade. The process typically begins with the reduction of tariffs on goods that already have low tariff rates, followed by a phased implementation period during which all tariffs on covered products are gradually removed. Importantly, each participating country retains its external tariffs on imports from non-member countries.³⁶

³² Flint, C. (2021). *Introduction to Geopolitics*. Taylor & Francis p.5.

³³ Ibid. p.5.

³⁴ Krugman, P. R., & Obstfeld, M. (2003). *International economics : theory and policy*. Addison Wesley. p.5.

³⁵ Cooper, W. H. (2011). *Free Trade Agreements: Impact on U. S. Trade and Implications for U. S. Trade Policy*. DIANE Publishing Company. p.3.

³⁶ Daniels, J. D., Radebaugh, L. H., & Sullivan, D. P. (2017). *International Business: Environments & Operations*. Pearson, p.232.

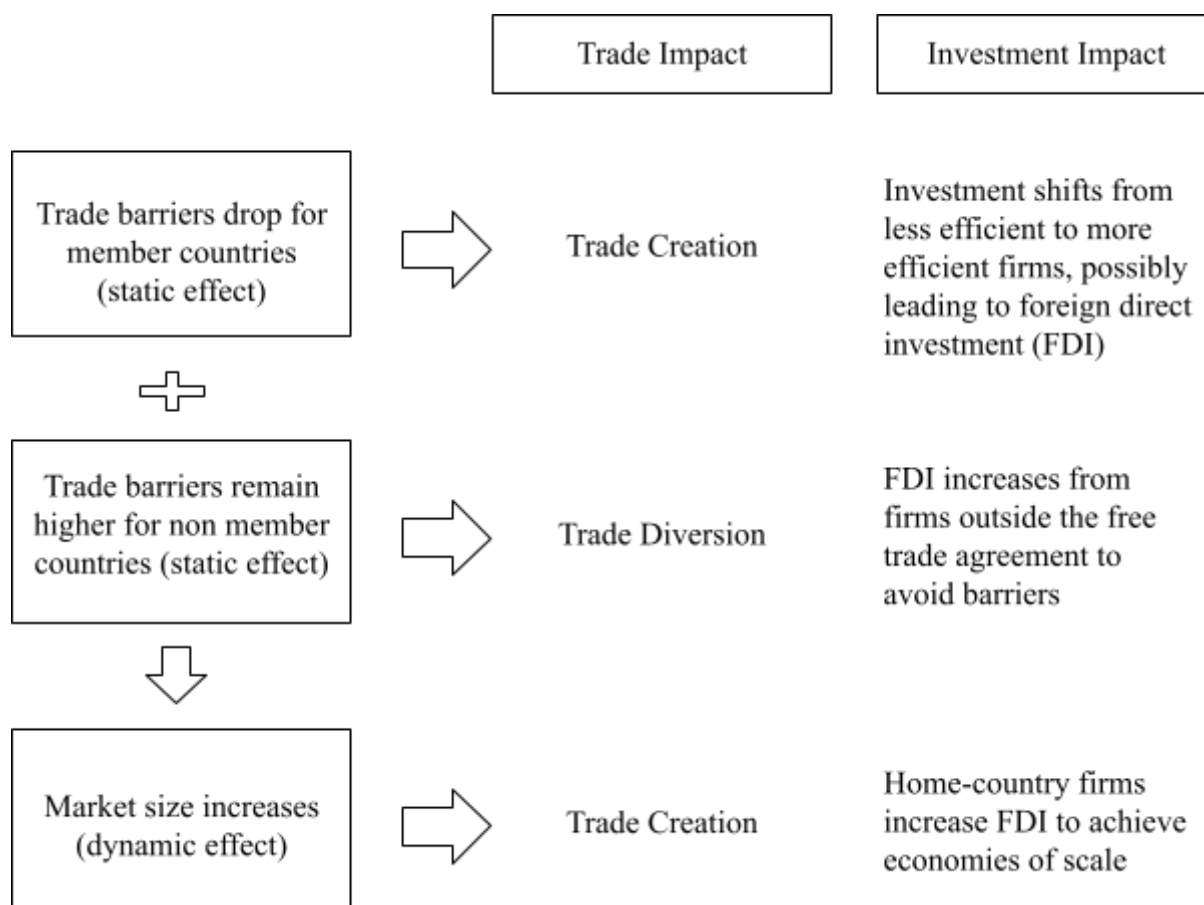


Figure 1.2 Impact of Free Trade Agreements³⁷

Figure 1.2 illustrates that free trade agreements generate both immediate "static" effects, such as trade creation among members due to reduced barriers and trade diversion from nonmembers facing continued high barriers, and longer-term "dynamic" effects, including increased market size leading to further trade creation and shifts in investment patterns, potentially boosting foreign direct investment both within and from outside the agreement.³⁸

Another important type of economic agreement is a Bilateral Investment Treaty (BIT) is a formal agreement between two nations designed to encourage, promote, and safeguard investments by companies from one country in the other country's market. Historically, Bilateral Investment Treaties were primarily negotiated between developing and developed countries. However, in recent decades, there has been a shift, with an increasing number of BITs being established between developing countries themselves. The first BIT was signed in 1959 between Germany and Pakistan.³⁹

³⁷ Daniels, J. D., Radebaugh, L. H., & Sullivan, D. P. (2017). *International Business: Environments & Operations*. Pearson, p.233.

³⁸ Ibid p.233.

³⁹ Mutsau, S. (2017). *Revisiting Bilateral Investment Treaties in the 21st Century. A Kenyan and South African Experience*. Anchor Academic Publishing. p.1.

The primary objective of BITs is to attract Foreign Direct Investment (FDI), which is believed to foster economic growth in the host country. For investors, BITs offer protection against the inherent risks of foreign investments. While the specific terms of each BIT may vary, most agreements include six key provisions: protection against expropriation or nationalization, most-favored-nation treatment, national treatment, the right to repatriate earnings, adherence to contractual obligations, and mechanisms for dispute resolution.⁴⁰

Supply chains and logistics

The supply chain is a network of organizations interconnected through both upstream and downstream linkages, engaging in various processes and activities that create value, ultimately delivering products and services to the end consumer.⁴¹ Supply Chain Management (SCM) involves the coordination and oversight of material, information, and resource flows across a network of upstream and downstream organizations, aiming to generate value through the production of goods and services.⁴²

The part of SCM is logistics entails the efficient management of delivering the correct product, in the appropriate quantity and quality, to the right location, at the right time, and for the right customer, all while ensuring the process is achieved at the optimal cost. Achieving the necessary precision in all aspects of logistics can be challenging, even though certain components may seem straightforward. For instance, in both retail distribution and high-value manufacturing, suppliers are often provided with very specific and narrow delivery timeframes. These suppliers are not only required to meet these stringent deadlines but may also be expected to deliver goods directly to designated retail shelves or factory production areas.⁴³

⁴⁰ Mutsau, S. (2017). *Revisiting Bilateral Investment Treaties in the 21st Century. A Kenyan and South African Experience*. Anchor Academic Publishing. p.1.

⁴¹ Mangan, J., Lalwani, C., & Butcher, T. (2008). *Global Logistics and Supply Chain Management*. Wiley. p.10.

⁴² Ibid p.11.

⁴³ Ibid p.9.

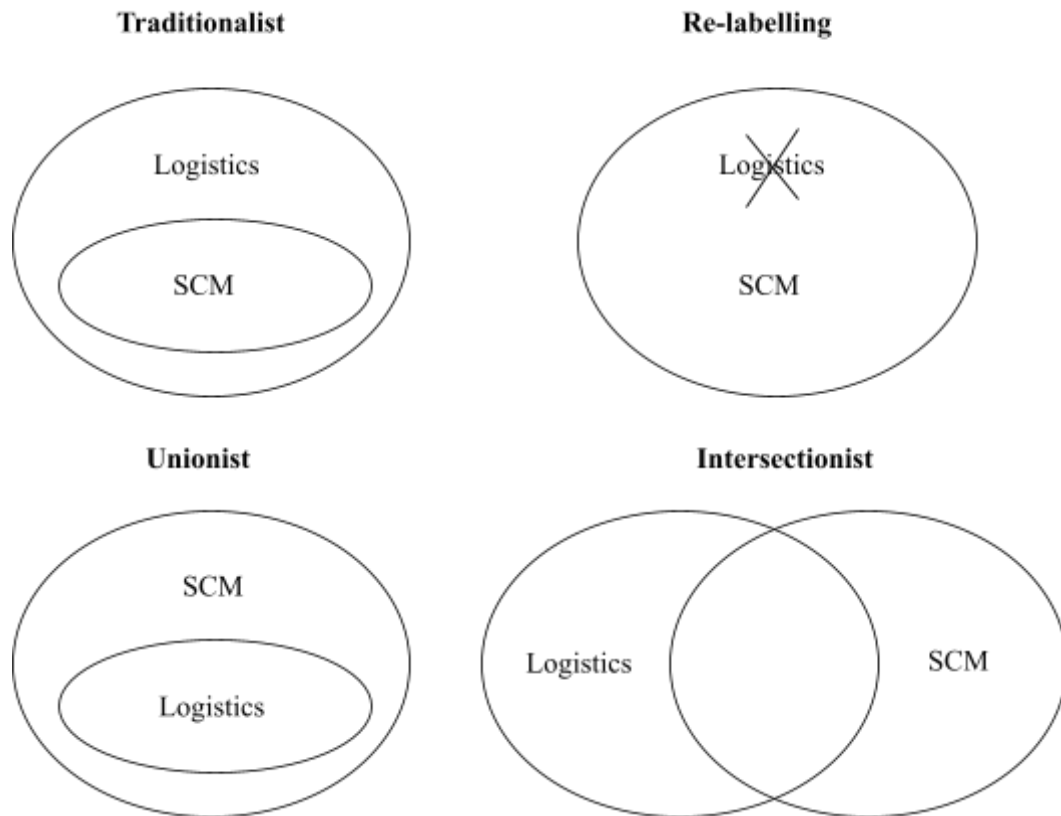


Figure 1.3 Four perspective on logistics versus supply chain management⁴⁴

Supply Chain Management (SCM) has, in many ways, evolved from logistics, with some traditional perspectives viewing SCM as a subset of logistics, essentially an extension of it. In contrast, the re-labelling perspective argues that logistics has simply been renamed as SCM. The observable substitution of "logistics" for "transportation," exemplified by the branding on heavy goods vehicles, indicates a broader trend towards framing the movement of goods within a more integrated and comprehensive framework. This terminological preference may reflect an industry-driven emphasis on the interconnectedness of supply chains, warehousing, and distribution, rather than solely the physical act of conveyance. However, transforming into a professional logistics company requires more than just a change in terminology. From a unionist perspective, logistics is seen as an integral part of the broader SCM framework. Lastly, the intersectionist view acknowledges an overlap between logistics and SCM, while also recognizing that each has distinct elements that set them apart.⁴⁵

⁴⁴ Mangan, J., Lalwani, C., & Butcher, T. (2008). *Global Logistics and Supply Chain Management*. Wiley. p.12.

⁴⁵ Ibid p.12.

Technology

Technology is broadly understood as a combination of ideas and methods that transform creative concepts into tangible innovations. It is often viewed as ethically neutral, with its effects determined by how it is applied by its users. While technological progress is typically associated with development, it does not universally lead to improved living standards. The human dimension of international relations, particularly the relationship between technological change and human rights, is increasingly relevant.⁴⁶

Useful technologies are typically designed to address practical needs and improve living standards. Historically, they have played a key role in advancing societies by increasing efficiency and solving real-world problems. Military technologies have long been a driving force behind technological progress. These technologies are not only crucial in defense strategies but also serve as a foundation for broader scientific advancements. Joyful technologies cater to leisure and entertainment, focusing on enhancing personal and social experiences rather than fulfilling essential needs. They represent a shift toward consumer-driven technologies that shape modern society and culture.⁴⁷

Culture

Cultural variations represent a significant determinant shaping international economic relations and distinguishing characteristics across foreign markets. An individual's cultural background profoundly influences their perspectives and reactions within the context of cross-border interactions. A comprehensive understanding of these cultural nuances is a critical factor in determining the potential success or failure of international business endeavors.⁴⁸

For instance, the dichotomy between transaction-oriented and relationship-oriented cultures presents a salient consideration in cross-border business negotiations. In transaction-oriented cultures, the primary objective is typically the efficient conclusion of a transaction and the maximization of profit, often with a comparatively lower emphasis on cultivating interpersonal relationships with the trading partner. Conversely, relationship-oriented cultures prioritize the establishment and maintenance of strong interpersonal connections, with the transactional aspect often assuming a secondary level of importance. This fundamental difference in cultural orientation can significantly impact

⁴⁶ Szkarlat, M., & Mojska, K. (Eds.). (2016). *New Technologies as a Factor of International Relations*. Cambridge Scholars Publishing. p.xviii.

⁴⁷ Ibid. p.5-6.

⁴⁸ Kwame Agbanyo, G., & Wang, Y. (n.d.). Understanding Cross-Cultural Differences in Conceptualizing International Trade Patterns: A Neuroeconomic Perspective.

negotiation styles, trust-building processes, and the long-term sustainability of international economic partnerships.⁴⁹

1.3 Key theories and models in international trade

1.3.1 Liberalism and Neoliberalism

Liberalism is a theoretical framework that advocates for minimal state intervention in economic activities, allowing individuals and market participants the freedom to operate independently. It also emphasizes the protection of individual civil rights in relation to state authority.⁵⁰

In the 20th century, neoliberalism emerged with key differences from classical liberalism. Neoliberalism emphasizes strong privatization, a free market, and free trade. However, unlike classical liberalism, neoliberal theorists view the state as an essential actor in ensuring the proper functioning of the market. The state's role is to establish and maintain the institutional framework necessary for these practices, ensuring, for example, the stability and reliability of money. Additionally, the state is responsible for providing military, defense, police, and legal structures that protect private property rights and, when necessary, using force to maintain market order.⁵¹

Comparative Advantage (David Ricardo)

According to the principle of comparative advantage, trade can still be mutually beneficial even if one country is less efficient (has an absolute disadvantage) in the production of both goods compared to another country. In such a scenario, the first country should specialize in producing and exporting the good for which its absolute disadvantage is relatively smaller (its comparative advantage), while importing the good for which its absolute disadvantage is greater (its comparative disadvantage).⁵²

⁴⁹ Kwame Agbanyo, G., & Wang, Y. (n.d.). Understanding Cross-Cultural Differences in Conceptualizing International Trade Patterns: A Neuroeconomic Perspective.

⁵⁰ O'Brien, R., & Williams, M. (2016). *Global Political Economy: Evolution and Dynamics*. Macmillan Education UK. p.82.

⁵¹ Harvey, D. (2007). *A Brief History of Neoliberalism*. OUP Oxford. p. 2-3.

⁵² Salvatore, D. (1998). *International economics*. Prentice Hall International. p.31.

Example of Comparative Advantage

	Country A	Country B
Commodity 1	10 hours	12 hours
Commodity 2	12 hours	15 hours

Source : Prepared by the author to explain Comparative Advantage with example

In this example, although Country A has an absolute advantage in producing both commodities (it requires fewer hours for each to produce), Country B can still benefit from trade by specializing in the goods for which it has a comparative advantage. Comparative advantage is determined not by absolute productivity, but by opportunity cost. If Country B gives up fewer units of Commodity 2 to produce Commodity 1 than Country A does, it holds a comparative advantage in Commodity 1. By specializing accordingly and engaging in trade, both countries can allocate resources more efficiently and gain greater access to both commodities than through self-sufficiency.

Heckscher-Ohlin Model (Eli Heckscher and Bertil Ohlin)

According to the Heckscher-Ohlin model, price disparities between goods arise from differences in production costs, which are influenced by the quantities and costs of factors such as labour, capital, and natural resources used in production. Each country has a unique mix of these "factor endowments," with some nations being rich in labour, while others may possess abundant natural resources, for example. Products that require large amounts of a specific factor, such as labour, will be relatively inexpensive to produce in countries where that factor is both cheap and abundant. Consequently, countries are likely to export goods that utilize their most plentiful factor, while importing goods that rely on factors they have in smaller supply. In essence, differences in factor endowments give rise to comparative advantages, which in turn influence the structure of international trade.⁵³

Porter's Diamond Model (Michael Porter)

The key takeaway from Porter's Diamond Theory is that while competition is increasing internationally, the importance of specific locations in determining competitiveness is growing stronger. According to Porter, a country's national economic environment shapes

⁵³ Bennett, R. (1996). *International Business*. Pitman. p.14.

entrepreneurial success both individually and collectively through four key national characteristics.⁵⁴

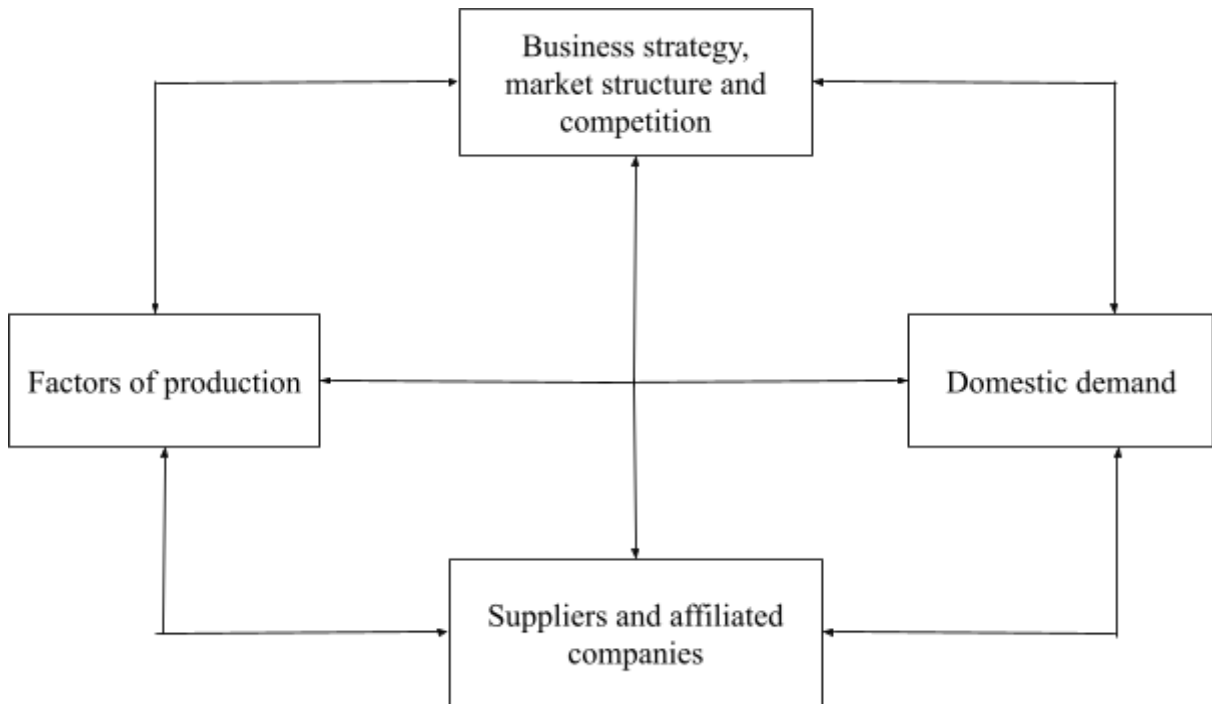


Figure 1.4 The Porter's diamond⁵⁵

Factors of production are divided into two categories: inherited and created. Inherited factors include natural resources such as labor, land, capital, and infrastructure, while created factors focus on elements like human capital, advanced infrastructure, and research institutions. Porter argues that successful industries are not necessarily those with abundant natural resources but those that capitalize on created factors of production. *Domestic demand* is another crucial element, where consumer demand drives innovation and the acquisition of advanced knowledge, giving businesses a competitive edge. *Suppliers and affiliated industries* suggest that a strong network of competitive suppliers and interconnected sectors within a country offers a significant advantage. Lastly, *business strategy, market structure, and competition* reflect the importance of a country's traditions, standards, and values, which shape how businesses are founded, organized, and managed.⁵⁶

⁵⁴ Jepma, C. J., Jager, H., & Kamphuis, E. (1996). *Introduction to International Economics*. Longman. p.80,82

⁵⁵ Ibid. p.82.

⁵⁶ Ibid. p.83.

1.3.2 Protectionism

Protectionism encompasses a range of policy measures implemented by governments to limit the inflow of foreign goods and services into the domestic market. These measures can take various forms, including tariffs, import quotas, subsidies for domestic industries, currency controls, regulatory barriers, and voluntary export restraints. The primary aim of such policies is to shield local industries from external competition and to support national economic objectives.⁵⁷

Infant Industry Argument (Alexander Hamilton)

The "infant industry" argument is one of the most well-known justifications for protectionism. It suggests that a newly-established domestic industry cannot compete with established foreign companies and, therefore, needs protection through tariffs to give it time to mature and become competitive. Once the industry has developed, the protection should be removed. For this argument to be valid, the industry must have the potential to grow and eventually compete with foreign firms at global prices. Additionally, the long-term benefits to society from the industry's growth after protection ends should outweigh the losses caused by the protection itself.⁵⁸

Strategic Trade Theory (Paul Krugman)

Strategic trade policy represents a more recent development in trade theory that supports a proactive role for the state in shaping international competitiveness, particularly through targeted protectionist measures. The central premise is that governments can foster a comparative advantage in strategically significant, high-technology sectors—such as semiconductors, telecommunications, and computing—by implementing temporary trade protections, subsidies, tax incentives, and collaborative programs between public institutions and private industry. These industries are typically characterized by high entry risks, significant economies of scale, and the potential for substantial positive externalities when successful. By strategically supporting such sectors, a nation may not only improve its international position but also stimulate long-term economic growth through innovation and technological spillovers. This policy framework bears resemblance to the infant industry argument traditionally used by developing economies, though in this case, it is directed toward advanced economies seeking to secure dominance in critical future-oriented industries.

⁵⁷ O'Brien, R., & Williams, M. (2016). *Global Political Economy: Evolution and Dynamics*. Macmillan Education UK. p.136

⁵⁸ Gandolfo, G. (2013). *International Trade Theory and Policy*. Springer Berlin Heidelberg. p.256.

Historical examples; such as Japan's postwar industrial and technological development are often cited to illustrate the potential effectiveness of such policies.⁵⁹

2. ANALYSIS OF THE ECONOMIC RELATIONS: SOUTH KOREA AND THE EUROPEAN UNION, WITH A FOCUS ON LATVIA

The second chapter presents the legal framework governing economic relations between South Korea and the European Union, and provides a comprehensive analysis of trade and investment flows between South Korea and the EU, as well as between South Korea and Latvia.

2.1 Legal framework for trade and investment between South Korea and the EU

One of the most important global economic institutions, and a key organization is the World Trade Organization (WTO), headquartered in Geneva, Switzerland. As of 2025, the WTO has 166 member countries. In 1947, the General Agreement on Tariffs and Trade (GATT) was created to remove trade quotas and reduce tariffs. When the World Trade Organization replaced GATT in 1995, many countries had joined. GATT is widely believed to have played a key role in increasing global trade in the second half of the 20th century. The core principle of GATT was to ensure equal market access for all member nations, promoting "trade without discrimination" through the Most-Favored-Nation (MFN) clause, which applied tariff reductions to all members. GATT also addressed nontariff barriers like industrial standards, subsidies, licensing, and customs valuation. Members agreed to treat imports and domestic goods equally, ensure nondiscriminatory bidding for contracts, and simplify procedures for foreign goods.⁶⁰

The World Trade Organization (WTO) retained the principles and trade agreements established under GATT, while broadening its scope to encompass services, investment, intellectual property, agriculture, textiles, and other sectors. The organization's members represent the majority of global trade. While decisions are primarily made through consensus, a majority vote may be utilized if consensus is not achieved. Nevertheless, any agreements reached must be ratified by the governments of the member nations, a process that can pose political challenges.⁶¹

⁵⁹ Salvatore, D. (1998). *International economics*. Prentice Hall International. p.273-275

⁶⁰ Daniels, J. D., Radebaugh, L. H., & Sullivan, D. P. (2017). *International Business: Environments & Operations*. Pearson. p.230.

⁶¹ *Ibid.* p.230.

The Republic of Korea and the European Union have both been members of the World Trade Organization (WTO) since its establishment on 1 January 1995, following their earlier participation in the General Agreement on Tariffs and Trade (GATT). When the WTO was established in 1995, South Korea expected that trade disputes would be resolved through a neutral, rules-based multilateral system, offering greater protection for smaller economies. The Dispute Settlement Mechanism (DSM) was seen as a key safeguard of fairness. To fully participate, Korea implemented significant reforms, including the liberalization of agriculture and services, despite strong domestic resistance, especially from farmers. However, early optimism faded as the United States and the European Union filed eight disputes against Korea between 1995 and 1997. Although many were legally justified, they fueled perceptions of bias and led to concerns that the WTO disproportionately favored developed nations at the expense of emerging economies.⁶²

Free Trade Agreement

The EU and South Korea have a strong trade partnership established through their Free Trade Agreement (FTA), which has been in effect since 2011 and officially ratified in 2015. This agreement provides for the progressive elimination of tariffs on industrial and agricultural commodities. This FTA was a landmark agreement, being the EU's first with an Asian nation and the first to incorporate sustainable development considerations.⁶³

Since its implementation, the EU-South Korea FTA has led to the progressive elimination of tariffs on approximately 98.7 % of traded goods, including industrial, agricultural, and fisheries products. This has substantially improved market access and competitiveness for exporters on both sides. In addition to removing customs duties, the agreement has significantly reduced non-tariff barriers affecting key EU exports such as automobiles, pharmaceuticals, electronics, and chemicals. It has also promoted the liberalization of service markets in both regions, thereby enhancing opportunities for businesses and investors, particularly in sectors like telecommunications, environmental services, shipping, and financial and legal services.⁶⁴

⁶² Yang, J. (n.d.). *Learning by Doing: The Impact of a Trade Remedy Case in Korea*. World Trade Organization.

⁶³ *EU trade relations with South Korea*. EU Trade, European Commission. Available https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea_en [accessed May 25, 2025].

⁶⁴ *EU-South Korea Free Trade Agreement | Access2Markets*. European Commission's trade, European Commission. Available <https://trade.ec.europa.eu/access-to-markets/en/content/eu-south-korea-free-trade-agreement> [accessed May 25, 2025].

The FTA further supports trade facilitation by simplifying administrative procedures, streamlining technical regulations, harmonizing rules of origin, and easing customs and product testing requirements. These measures contribute to reducing compliance costs and increasing efficiency for businesses operating across borders. Another significant dimension of the agreement is the enhanced protection of intellectual property rights in South Korea. The FTA also ensures recognition for a broad range of European geographical indications, thus safeguarding the identity and quality of EU food products in the Korean market. Moreover, the agreement opens access for EU companies to participate in South Korea's public procurement processes and provides improved legal protections for bilateral investment.⁶⁵

Digital Trade Agreement

Digital trade includes buying and selling goods and services online, relying heavily on technologies like the internet and telecommunications. It is becoming increasingly vital for European businesses across industries. The Digital Trade Principles are non-binding agreements that express a shared commitment to promoting an open and inclusive digital economy without unnecessary trade barriers. They address key areas such as data governance (e.g., trusted data flows and open government data), digital trade facilitation (e.g., paperless trade, e-signatures, e-invoicing), and fostering trust for both consumers (e.g., online protection) and businesses (e.g., cybersecurity, open internet, and protection of source code and encryption technologies).⁶⁶

Recognizing its importance, the European Union and the Republic of Korea have taken steps to strengthen their cooperation in this field. The EU–Republic of Korea digital trade agreement aims to achieve several key objectives; strengthen consumer confidence in the digital environment, provide businesses with legal clarity and predictable rules, eliminate existing and prevent future unjustified barriers to digital trade.⁶⁷

To further deepen their digital trade relationship, the EU and South Korea launched negotiations in 2023 for a dedicated Digital Trade Agreement (DTA). This new agreement is intended to build upon their existing Free Trade Agreement (FTA) and the digital trade

⁶⁵ *EU-South Korea Free Trade Agreement | Access2Markets*. European Commission's trade, European Commission. Available <https://trade.ec.europa.eu/access-to-markets/en/content/eu-south-korea-free-trade-agreement> [accessed May 25, 2025].

⁶⁶ *Digital trade - European Commission*. EU Trade, European Commission. Available https://policy.trade.ec.europa.eu/help-exporters-and-importers/accessing-markets/goods-and-services/digital-trade_en [accessed May 25, 2025].

⁶⁷ *EU-South Korea Free Trade Agreement and Digital Trade Agreement*, European Commission. Available https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea/eu-south-korea-agreements_en [accessed May 25, 2025].

principles they agreed upon in 2022. It aims to establish comprehensive, modern, and robust digital trade regulations that reflect the realities of today's digital economy.⁶⁸ At the same time, the agreement will safeguard the right of both parties to formulate and implement policies necessary for navigating the evolving digital landscape—particularly in areas such as privacy protection and personal data security. This ensures that while digital trade flourishes, fundamental rights and regulatory autonomy are maintained.⁶⁹

Bilateral Investment Treaty

South Korea and Latvia have established a Bilateral Investment Treaty (BIT) aimed at promoting and protecting mutual investments. The agreement, formally titled *Agreement between the Government of the Republic of Latvia and the Government of the Republic of Korea for the Promotion and Reciprocal Protection of Investments*, was signed in Seoul on October 23, 1996, and entered into force on January 26, 1997.⁷⁰

The agreement between South Korea and Latvia is intended to facilitate and safeguard investment flows between the two nations. It adopts a broad definition of investment and ensures that such investments are granted fair, equitable, and non-discriminatory treatment, equivalent to that afforded to domestic or third-party investors. The treaty provides robust protections against expropriation, requiring prompt and adequate compensation in such cases. It also guarantees the unrestricted transfer of investment-related funds and establishes a structured framework for dispute resolution, including recourse to international arbitration when necessary. Furthermore, the agreement includes a provision ensuring that more favorable conditions granted under other laws or agreements take precedence. It is applicable to both existing and future investments and operates in renewable ten-year periods, with a twenty-year extended protection clause for investments made prior to termination.⁷¹

⁶⁸ *Joint Statement on the launch of negotiations for an EU-Korea digital trade agreement*, European Commission. Available

https://policy.trade.ec.europa.eu/news/joint-statement-launch-negotiations-eu-korea-digital-trade-agreement-2023-10-31_en [accessed May 25, 2025].

⁶⁹ *EU and Korea deepen ties with landmark digital trade deal*. EC Europa, European Commission. Available https://ec.europa.eu/commission/presscorner/detail/en/ip_25_732 [accessed May 25, 2025].

⁷⁰ *AGREEMENT between the Government of the Republic of Latvia and the Government of the Republic of Korea for the Promotion and Reciprocal Protection of Investments*, Latvijas Vestnesis. Available <https://likumi.lv/legislation/en/en/treaties/id/216-agreement-between-the-government-of-the-republic-of-latvia-and-the-government-of-the-republic-of-korea-for-the-promotion-and-reciprocal> [accessed May 25, 2025].

⁷¹ *Ibid.*

2.2 Comprehensive analysis of trade and investment between South Korea and the EU

2.2.1 Economic analysis

The EU and South Korea established diplomatic ties in July 1963, evolving into a comprehensive strategic alliance. The EU-South Korea Free Trade Agreement (FTA), signed October 2010 and fully effective December 2015, greatly boosted trade and investment. The partnership became a Strategic Partnership in October 2010, formalized by a Framework Agreement in June 2014, expanding cooperation across political, economic, and security domains. A Framework Participation Agreement, effective 2016, enabled South Korea's involvement in EU crisis management, culminating in a Security and Defence Partnership signed November 2024.⁷²

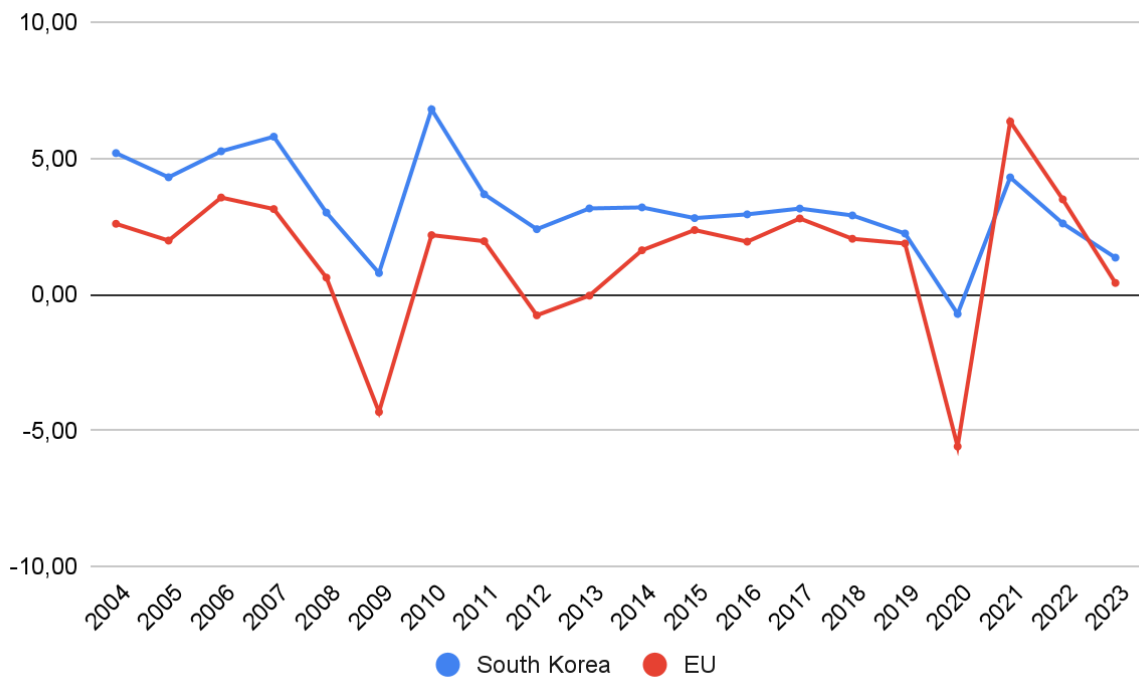


Figure 2.1 GDP growth of South Korea and the EU (%) (2004-2023)⁷³

Figure 2.1 illustrates Gross Domestic Product (GDP) growth trends for South Korea and the European Union from 2004 to 2023. Both economies experienced periods of significant fluctuation, notably reflecting major global economic downturns. During the 2008-2009 global financial crisis, both saw sharp declines in growth, with the EU

⁷² Europe, Ministry of Foreign Affairs, Republic of Korea. Available https://www.mofa.go.kr/eng/wpge/m_4909/contents.do [accessed May 25, 2025].

⁷³ GDP growth (annual %), World Bank. Available <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> [accessed May 25, 2025].

experiencing a more pronounced contraction. Similarly, the COVID-19 pandemic in 2020 led to substantial decreases in GDP growth for both entities, where the EU again registered a more severe dip into negative territory.

Despite these shared challenges, South Korea generally exhibited a more resilient and consistent positive growth trajectory through various periods, including the Eurozone debt crisis. Drawing important lessons from the 1997 financial crisis, South Korea substantially improved its macroeconomic and financial management framework. This proactive approach, alongside efforts to strengthen the stability of financial institutions and the corporate sector, enhanced the resilience of the Korean economy, facilitating a faster recovery and resulting in a relatively less severe GDP contraction during the 2008-2009 global financial crisis.⁷⁴ In response to the Eurozone debt crisis in 2009-2012 (also 2008-2009 global financial crisis), South Korea took proactive steps to strengthen its financial resilience by expanding its network of currency swap agreements. A notable example was the US\$70 billion swap arrangement with Japan. These efforts, supported by the country's substantial foreign exchange reserves and existing swap agreements with China, were designed to improve foreign currency liquidity and maintain credit stability, thereby reducing exposure to external financial risks.⁷⁵

Within the 2020 pandemic, South Korea experienced a comparatively smaller contraction in economic activity than most other OECD countries, largely due to the government's swift and effective measures to control the spread of COVID-19, along with comprehensive fiscal support provided to households and businesses. Nevertheless, while GDP declined, the extent of the contraction was significantly less pronounced than in other OECD member states.⁷⁶

Post-2020, both economies demonstrated robust recoveries, indicating their capacity to rebound from significant external shocks, although their growth rates converged towards the end of the period.

⁷⁴ Lee, H., & Rhee, C. (2012, Jan). Lessons from the 1997 and the 2008 Crises in the Republic of Korea. 7(1), p.18.

⁷⁵ *Korea, Japan to Expand Currency Swap to US\$70 million*, Ministry of Economy and Finance. Available <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do%3Bjsessionid=wjryJtxyk6sn1ciAoT+Rqryb.node20?boardCd=N0001&seq=2770> [accessed May 25, 2025].

⁷⁶ *OECD Economic Surveys: Korea 2020*, OECD. Available <https://doi.org/10.1787/2dde9480-en>. [accessed May 25, 2025].

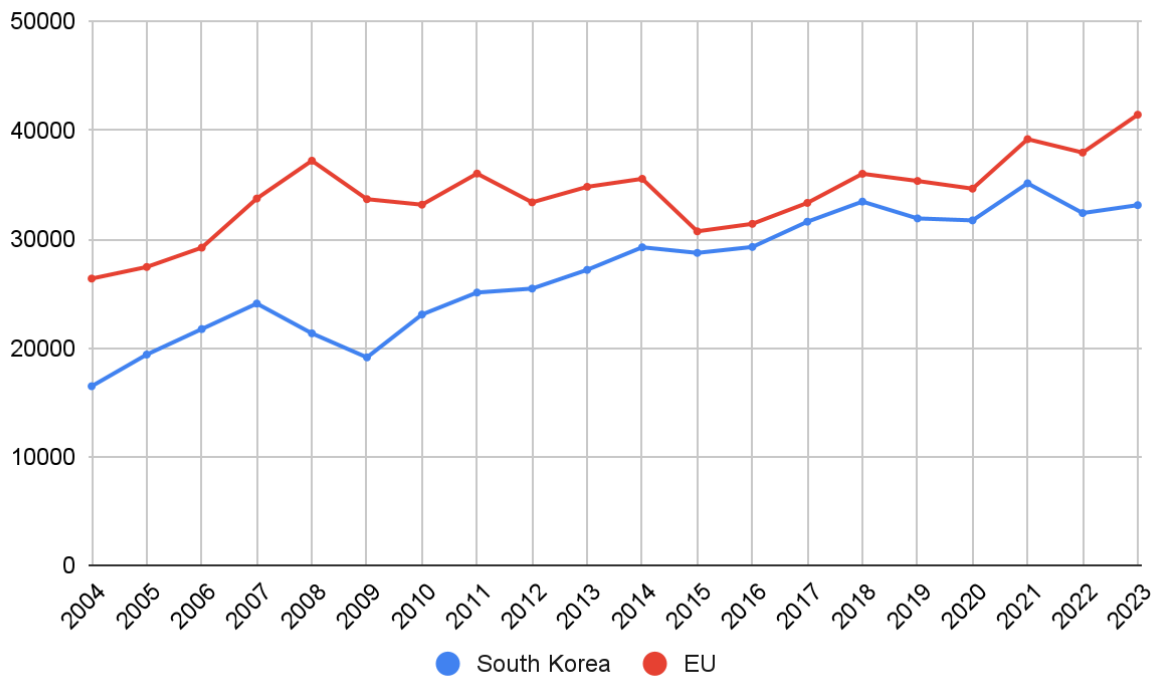


Figure 2.2 GDP per capita of South Korea and the EU (USD) (2004-2023)⁷⁷

Figure 2.2 depicting GDP per capita trends for South Korea and the European Union from 2004 to 2023 illustrated distinct yet related economic trajectories. Throughout the entire period, the EU's GDP per capita consistently maintained a higher level than that of South Korea. This distinction is not attributable to the EU's composition as a multi-country bloc. Instead, it reflects the EU's collective status as a group of highly developed, mature economies with a longer history of accumulated wealth and advanced economic structures, resulting in a higher average economic output per person across its member states.

While both economies generally experienced an upward trend, their relative growth rates and responses to global economic shocks varied; both faced dips around the 2008 global financial crisis and again during the 2020 COVID-19 pandemic, followed by subsequent recoveries.

2.2.2 Trade analysis

The Republic of Korea ranks as the European Union's 8th largest trading partner in goods, while the EU stands as Korea's 3rd largest trading partner in goods.⁷⁸ Trade in goods between South Korea and the European Union is characterized by the exchange of high-value

⁷⁷ GDP per capita (current US\$), World Bank. Available <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD> [accessed May 25, 2025].

⁷⁸ EU trade relations with South Korea. EU Trade, European Commission. Available https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea_en [accessed May 25, 2025].

industrial goods. Key traded commodities include machinery, vehicles, chemical products, plastics, rubber materials, textiles, leather articles, and medical and optical equipment.⁷⁹

The trade in services between South Korea and the European Union constitutes an important dimension of their economic relationship. The European Union has consistently maintained a surplus in this area, reflecting the higher value of its service exports relative to imports from South Korea. Service trade between the two partners is predominantly focused on a few key sectors, including transport, various business services, and telecommunications, computer, and information services.⁸⁰

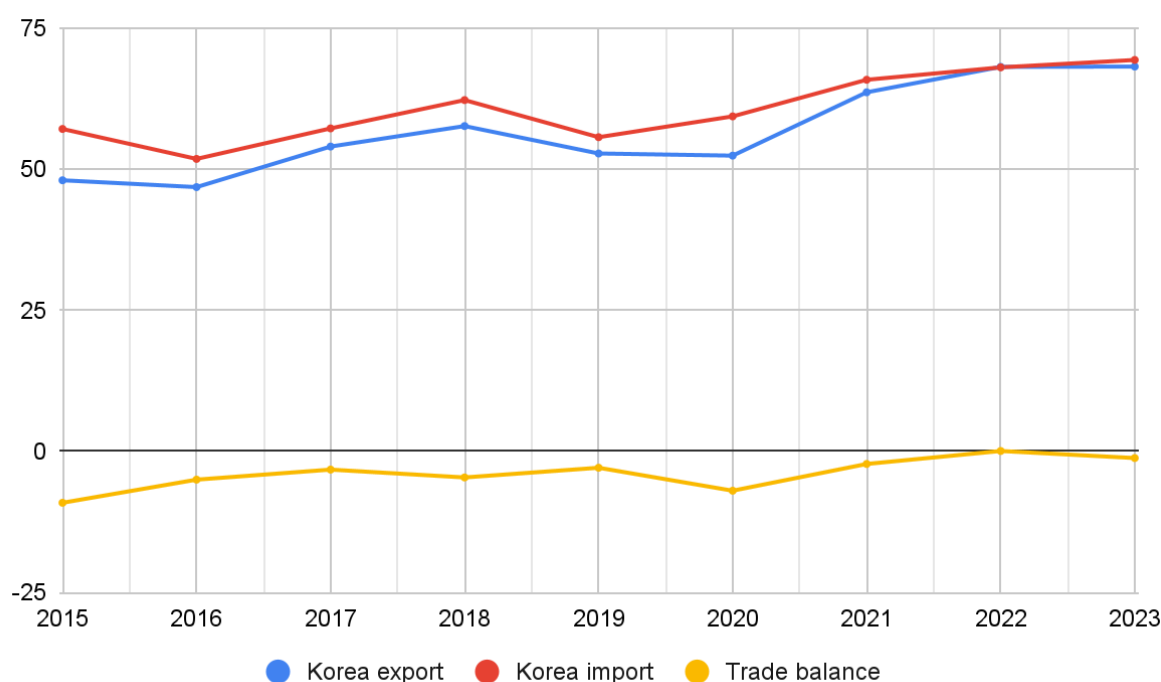


Figure 2.3 South Korea's export to the EU,⁸¹ South Korea's import from EU and Trade balance (mil. USD) (2015-2023)⁸²

Figure 2.3 illustrates the dynamic evolution of trade relations between South Korea and the European Union from 2015 to 2023. Throughout this period, both South Korean exports to and imports from the EU have exhibited a consistent upward trend, with a notable acceleration in growth beginning in 2020. It is possible to observe two particularly significant

⁷⁹South Korea (KOR) Exports, Imports, and Trade Partners | *The Observatory of Economic Complexity*, OEC World. Available <https://oec.world/en/profile/country/kor> [accessed May 25, 2025].

⁸⁰EU trade relations with South Korea. EU Trade, European Commission. Available https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea_en [accessed May 25, 2025].

⁸¹South Korea Exports to European Union, Trading Economics. Available <https://tradingeconomics.com/south-korea/exports-to-european-union> [accessed May 25, 2025].

⁸²South Korea Imports from European Union, Trading Economics. Available <https://tradingeconomics.com/south-korea/imports-from-european-union> [accessed May 25, 2025].

rises in trade: one following the 2015 implementation of the EU-Korea Free Trade Agreement (FTA), and another in 2020—an especially surprising development given the global economic disruptions caused by the COVID-19 pandemic. In 2020, South Korea’s exports of medical products to the European Union more than doubled significantly. During this period, South Korea actively collaborated with EU partners to enhance cooperation, seeking assistance for vaccine deliveries and advocating for the recognition of its domestically produced KF94 masks.⁸³ In terms of imports, South Korea’s trade with the European Union also increased, particularly for essential semiconductor equipment and components, driven by rising demand amid the growth of the non-face-to-face economy. Despite South Korea’s strong export performance in memory semiconductors, the country continues to face a persistent trade deficit in critical semiconductor machinery and parts, relying heavily on advanced technology providers such as the Netherlands, an EU member state, for specialized equipment like EUV lithography machines.⁸⁴

Despite South Korea's persistent trade deficit with the EU, there was a temporary shift in 2022, when the country recorded a slight surplus. These fluctuations, coupled with the overall increase in trade volumes, highlight the complex and continuously evolving trade balance under the framework of the EU-Korea Free Trade Agreement. The sustained growth in both exports and imports underscores the deepening economic integration and mutual interdependence between the two parties.

⁸³ *S. Korea's exports of medical products to EU jump amid pandemic*, KOTRA. Available https://www.investkorea.org/ik-en/bbs/i-465/detail.do?ntt_sn=491268 [accessed May 25, 2025].

⁸⁴ Shin, S. Y., & Shin, S. H. (2021, Oct). Analysis of Korean Import and Export in the Semiconductor Industry: A Global Supply Chain Perspective. 25(6), p.97-98.

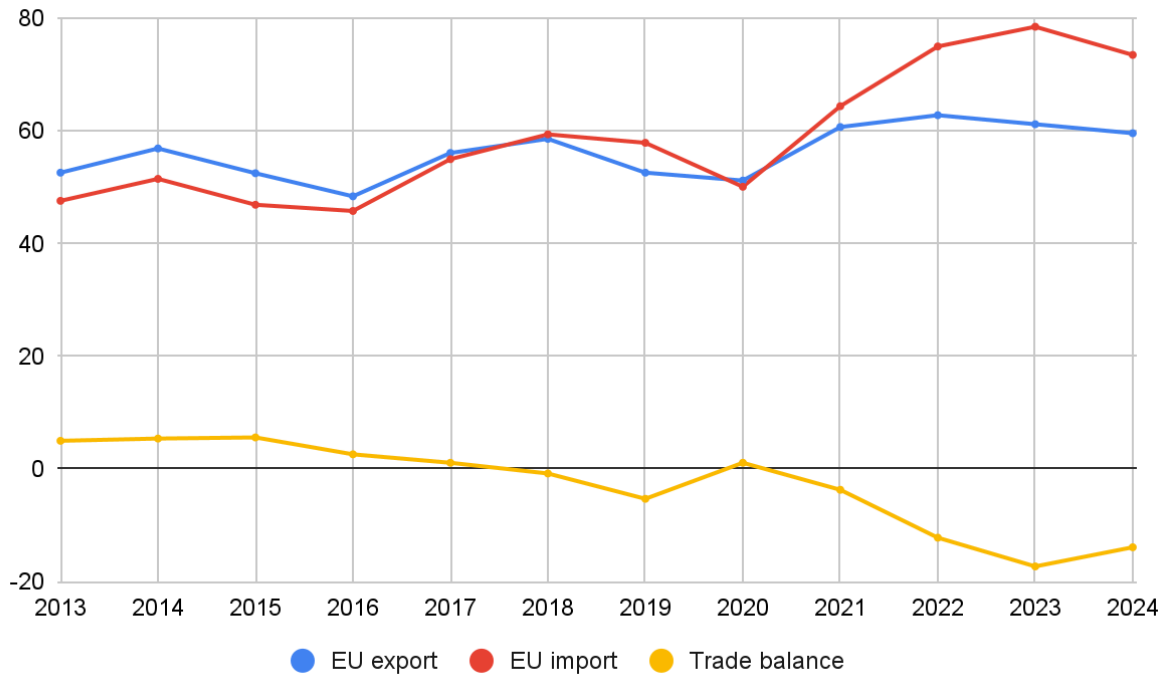


Figure 2.4 EU's export to South Korea⁸⁵, EU's import from South Korea and Trade balance (mil. USD) (2013-2024)⁸⁶

Figure 2.4 illustrates the trade relationship between the European Union and South Korea from 2013 to 2024, showing EU exports to South Korea, EU imports from South Korea, and the resulting EU trade balance. Both EU imports and exports showed a general increase over this period, with trade volumes significantly rising after the 2015 EU-Korea Free Trade Agreement (FTA). A particularly strong and surprising surge in trade occurred in 2020, despite the global economic challenges of the COVID-19 pandemic (mentioned in Figure 2.3). While the EU had a trade surplus with South Korea in the early years (2013-2017), this shifted to a consistent deficit from 2018 onwards (except 2020), meaning the EU imported more from South Korea than it exported. These trends highlight the growing economic ties and interdependence between the EU and South Korea under the FTA.

⁸⁵European Union Exports to South Korea, Trading Economics. Available <https://tradingeconomics.com/european-union/exports/south-korea> [accessed May 25, 2025].

⁸⁶European Union Imports from South Korea, Trading Economics. Available <https://tradingeconomics.com/european-union/imports/south-korea> [accessed May 25, 2025].

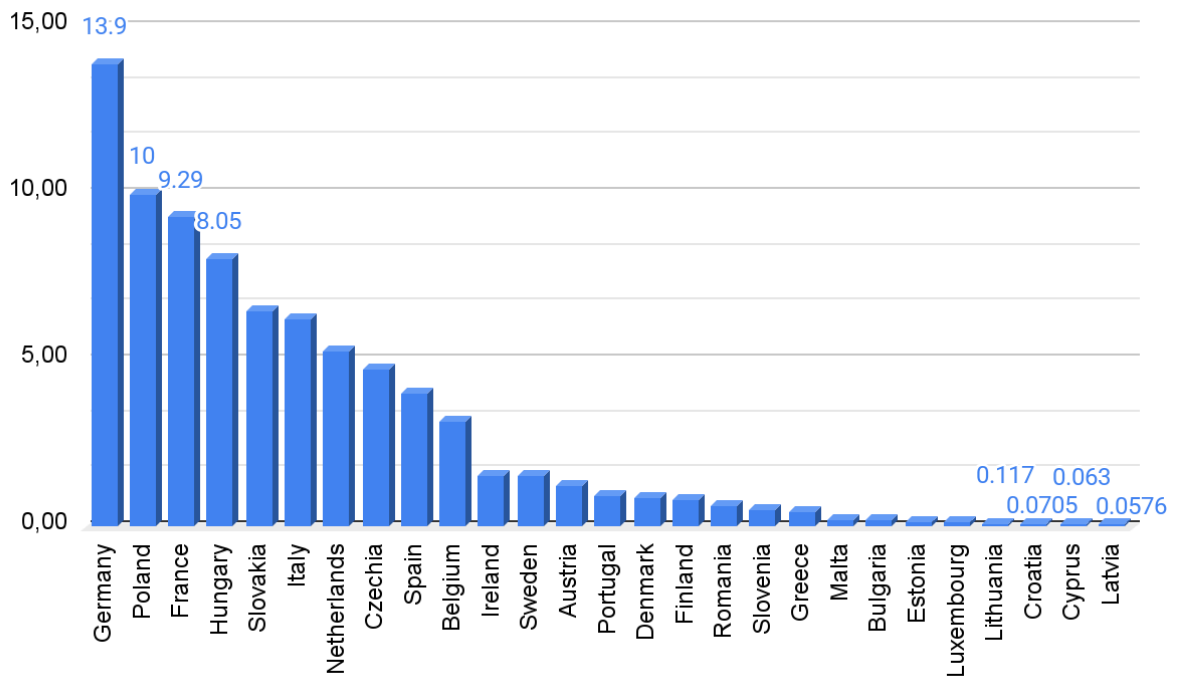


Figure 2.5 South Korea's export to the EU by country (EU's import by country from South Korea) (bil. USD) (2023)⁸⁷

Figure 2.5 illustrates South Korea's export values to different member states of the European Union in 2023. Germany emerges as the primary destination for South Korean exports within the EU, with a substantial value of 13.9 billion USD. This highlights Germany's significant role as a key market for South Korean goods. Following Germany, Poland represents the second largest export market for South Korea in the EU, with an export value of 10 billion USD, indicating a strong trade relationship. France (9.29 billion USD) and Hungary (8.05 billion USD) also serve as important export destinations for South Korean products within the European Union.

Conversely, several EU countries exhibit considerably lower export values from South Korea. Nations such as Lithuania (0.117 billion USD), Croatia (0.0705 billion USD), Cyprus (0.063 billion USD), and Latvia (0.0576 billion USD) represent the lower end of the export spectrum. The distribution of South Korea's exports to the EU in 2023 demonstrates a concentration in a few major European economies, while exports to other member states are comparatively smaller in value. The range of export values, from 13.9 billion USD to 0.0576 billion USD, underscores the varying levels of economic engagement and market demand for South Korean goods across the European Union.

⁸⁷ *South Korea (KOR) Exports, Imports, and Trade Partners* | *The Observatory of Economic Complexity*, OEC World. Available <https://oec.world/en/profile/country/kor> [accessed May 25, 2025].

The author suggests that Latvia’s limited engagement or recognition in South Korea is influenced by complex geopolitical factors. A key issue appears to be the relatively low level of country recognition, with public awareness of Latvia remaining minimal. Despite ongoing promotional efforts by the Latvian Embassy in South Korea and the Investment and Development Agency of Latvia (LIAA) Seoul office, their impact is perceived as constrained. This suggests that a deeper understanding and broader recognition of Latvia among the South Korean public has yet to be achieved—possibly reflecting a slower "fermentation" process of bilateral awareness in the context of globalization.

Notably, the 2023 “Latvia Days” cultural event held in Seoul attracted over 30,000 visitors.⁸⁸ In the author’s view, if such events were held annually or expanded to other major cities across South Korea, they could significantly enhance national awareness of Latvia. As a result, future data on bilateral engagement and recognition may reflect positive shifts if these cultural initiatives are sustained and scaled.

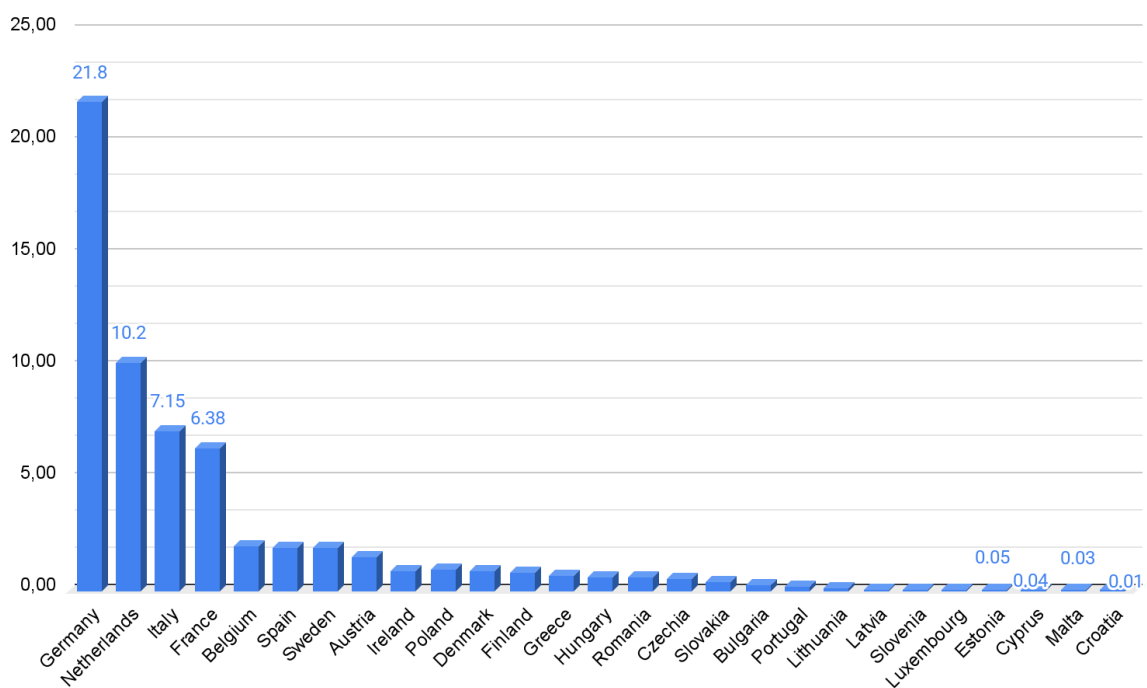


Figure 2.6 South Korea's import from the EU by country (EU's export by country to South Korea) (bil. USD) (2023)⁸⁹

⁸⁸ More than 30,000 people attend Latvian Days in South Korea, The Baltic Times. (2023) Available https://www.baltictimes.com/more_than_30_000_people_attend_latvian_days_in_south_korea/ [accessed May 25, 2025].

⁸⁹ South Korea (KOR) Exports, Imports, and Trade Partners | The Observatory of Economic Complexity, OEC World. Available <https://oec.world/en/profile/country/kor> [accessed May 25, 2025].

Figure 2.6 illustrates the disparity in South Korea's import values from different European Union member states in 2023. Germany exhibits the highest import value at 21.8 billion USD, significantly exceeding the import values from all other listed EU countries. Following Germany, the Netherlands (10.2 billion USD) and Italy (7.15 billion USD) represent the next largest import sources for South Korea within the EU. France also shows a notable import value of 6.38 billion USD.

In contrast, several other EU member states demonstrate considerably lower import values. Countries such as Estonia (0.05 billion USD), Cyprus (0.04 billion USD), Malta (0.03 billions USD), and Croatia (0.01 billion USD). The import values depicted highlight an uneven distribution of trade volume between South Korea and the EU member states. A small number of countries account for the majority of South Korea's imports from the EU, while a larger number contribute to a lesser extent in terms of overall import value. The range of import values, from 21.8 billion USD to 0.0144 billion USD, underscores the varying economic relationships between South Korea and individual nations within the European Union concerning imports.

2.2.3 Investment analysis

The European Union represents the most significant source of foreign direct investment (FDI) in South Korea, reflecting a strong and diversified investment presence across multiple sectors. In contrast, South Korea's outward FDI into the EU remains relatively limited, resulting in a favorable investment balance for the European Union. South Korean investments within the EU are primarily concentrated in strategic industries, particularly the electric vehicle sector.⁹⁰

⁹⁰ *EU trade relations with South Korea*. EU Trade, European Commission. Available https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea_en [accessed May 25, 2025].

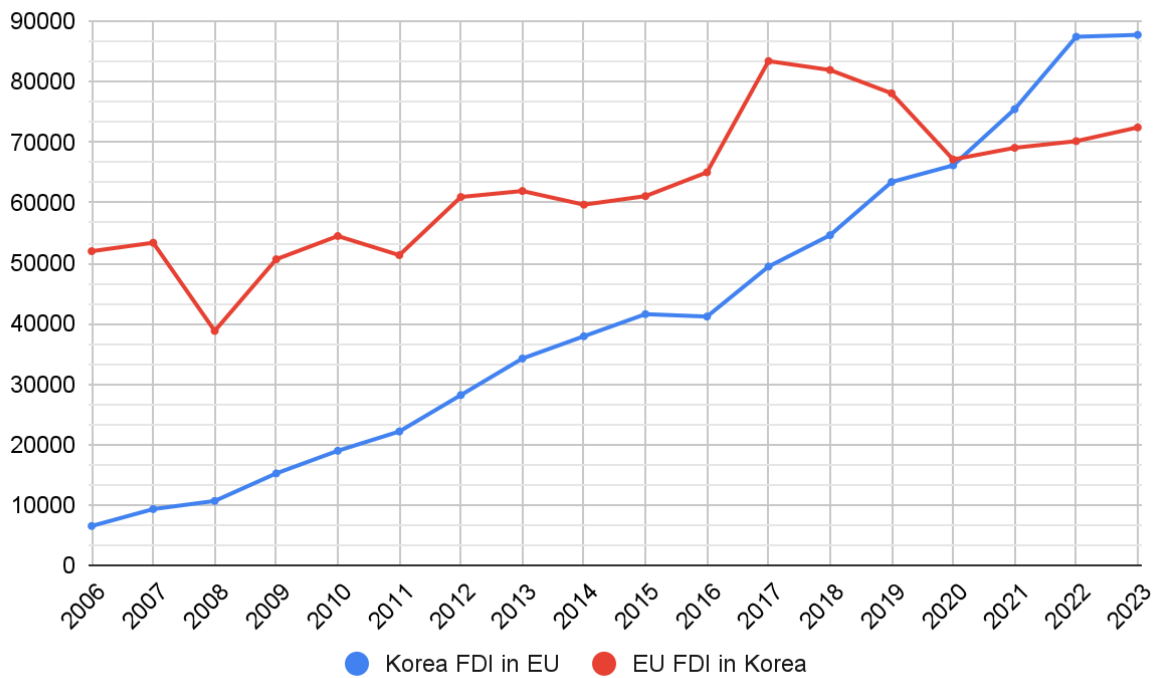


Figure 2.7 Investment (stock) between South Korea and the EU (mil. USD) (2006-2023)⁹¹

Figure 2.7 illustrates the trends in Foreign Direct Investment (FDI) between South Korea and the European Union from 2006 to 2023. The data reveal distinct patterns in both Korean FDI into the EU and EU FDI into South Korea. Korean FDI in the EU followed a generally upward trajectory throughout the period, with notable increases in the earlier years and again from around 2017 onwards, culminating in its highest level by 2023. This trend suggests a growing interest and strategic commitment from South Korean firms to establish and expand their operations within the European market.

In contrast, EU FDI in South Korea, while consistently higher than Korean FDI in the EU for much of the period, displayed less consistent growth. It peaked noticeably around 2017, followed by a period of relative stability. Toward the end of the observed period, the convergence of the two investment flows suggests a shifting dynamic, with Korean investment in the EU narrowing the gap and approaching parity with EU investment in Korea.

Overall, foreign direct investment between the two economies has grown, facilitating technology transfer, enhancing capital inflows, and generating high-quality employment opportunities for skilled workers. The protection of intellectual property rights (IPR) under

⁹¹ *IIP for Nations*, KOSIS.Korean Statistical Information Service. Available https://kosis.kr/statHtml/statHtml.do?orgId=301&tblId=DT_311Y002&conn_path=I2&language=en [accessed May 25, 2025].

the Free Trade Agreement (FTA) is generally regarded positively by businesses, contributing to a more secure and innovation-friendly investment environment.⁹²

Table 2.1

Top EU locations for Korean FDI in 2021

Location	Percentage of total Korean FDI stock
Netherlands	15.9
Hungary	13.4
Poland	11.2
Czech Republic	10.7
Slovakia	9.9

Source: Prepared by the author, collected data from 2023 EU - KOREA TRADE AND INVESTMENT RELATIONS, EEAS. p.14-15.

In 2021, Korean Foreign Direct Investment (FDI) within the European Union was primarily concentrated in a few key locations. The Netherlands received the largest share, accounting for 15.9 % of the total Korean FDI stock in the EU. Hungary followed with 13.4%, and Poland, the Czech Republic, and Slovakia also attracted significant Korean investment, holding 11.2 %, 10.7 %, and 9.9 % of the total stock, respectively.

The potential for stronger ties between South Korea and the Visegrád Four (V4) countries can be partly attributed to their mutually non-threatening geopolitical positions. Neither South Korea nor the V4 countries (Poland, Czechia, Slovakia and Hungary) are major global powers, and all have historically perceived larger neighboring states as potential threats. Although geopolitical factors disrupted their relations in the past, they were quickly reestablished after 1989. After an initial period focused on Euro-Atlantic integration, the past two decades have seen increasing trade and security cooperation, supported by shared democratic values and alignment with Western norms.⁹³

⁹² *ASSESSING RESULTS OF THE EU-KOREA FREE TRADE AGREEMENT*, EEAS. Available https://www.eeas.europa.eu/node/34954_en [accessed May 25, 2025].

⁹³ *Has South Korea found its firm foothold in Central Europe?*, Broul, D., & Nenutil, A. CEIAS. Available <https://ceias.eu/has-south-korea-found-its-firm-foothold-in-central-europe/> [accessed May 25, 2025].

Top EU investors in South Korea in 2022

Investor	Percentage of total EU's FDI stock
Netherlands	28.9
Germany	14.7
France	7.7

Source: Prepared by the author, collected data from 2023 EU - KOREA TRADE AND INVESTMENT RELATIONS, EEAS. p.14-15.

In 2022, the landscape of European Union Foreign Direct Investment (FDI) into South Korea was significantly dominated by a few key member states. The Netherlands emerged as the leading investor, contributing a substantial 28.9 % of the total EU's FDI stock in South Korea. Germany followed as the second-largest investor, accounting for 14.7 %, while France also represented a notable share at 7.7 %. This concentration suggests that while the EU collectively is a major foreign investor in South Korea, the bulk of this investment originates from a select group of economically powerful or strategically engaged member states, underscoring their pivotal role in the bilateral investment relationship.

The substantial volume of foreign direct investment (FDI) from the Netherlands to South Korea can be attributed to the prevalence of Dutch-registered entities as conduits for European financial investments.⁹⁴

2.3 Comprehensive analysis of trade and investment between South Korea and Latvia

2.3.1 Economic analysis

Since establishing diplomatic ties in 1991, Latvia and South Korea have steadily developed their relationship. Latvia's 2004 EU accession enhanced economic cooperation. Diplomatic presence grew with South Korea's Consulate General opening in Riga in 2012 and Latvia's Embassy in Seoul in 2015. Further solidifying ties, South Korea's Riga Consulate was upgraded to an embassy in 2019, followed by the Investment and Development Agency of Latvia's Seoul office opening in 2020, emphasizing bilateral economic commitment.⁹⁵

⁹⁴ 2023 EU - KOREA TRADE AND INVESTMENT RELATIONS, EEAS. Available https://www.eeas.europa.eu/delegations/south-korea/2023-eu-korea-trade-and-investment-relations_en [accessed May 25, 2025].

⁹⁵ 공관약사 (*History of Embassy*), Embassy of the Republic of Korea in the Republic of Latvia. Available https://overseas.mofa.go.kr/lv-ko/wpge/m_21748/contents.do [accessed May 25, 2025].

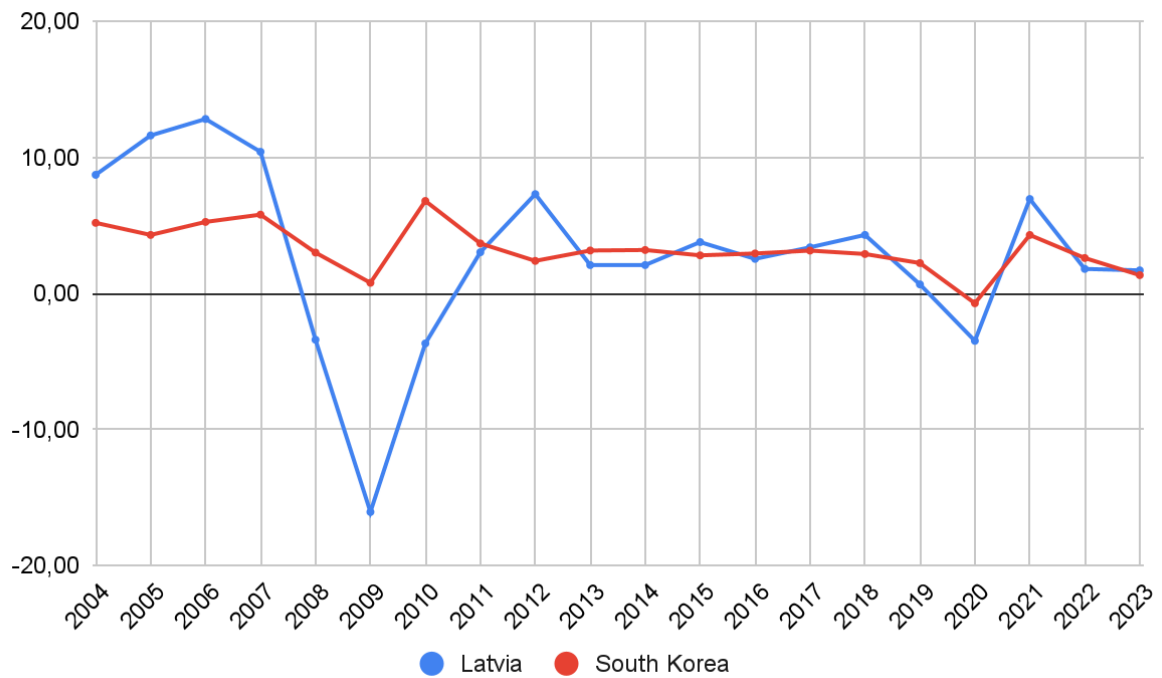


Figure 2.8 GDP growth of Latvia and South Korea (%) (2004-2023)⁹⁶

Examining the GDP growth rates in Figure 2.8 revealed distinct economic trajectories for Latvia and South Korea. Latvia experienced significant volatility, marked by rapid growth in the mid-2000s, a severe contraction during global financial crisis in 2008-2009, a subsequent period of fluctuating recovery, and more moderate growth in the later years, also being susceptible to external shocks like the COVID-19 pandemic and geopolitical tensions (Russian-Ukraine conflict).

In contrast, South Korea demonstrated a more consistent, albeit gradually moderating, growth pattern throughout the period. While also affected by the 2008-2009 crisis and the COVID-19 pandemic, South Korea's downturns were less drastic, and its recovery generally swifter, reflecting a more diversified and resilient economy built on strong manufacturing and technological sectors, coupled with proactive government interventions. This contrasting performance underscores the different economic structures and vulnerabilities of the two nations to global economic events and internal factors.

⁹⁶ *GDP growth (annual %)*, World Bank. Available <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG> [accessed May 25, 2025].

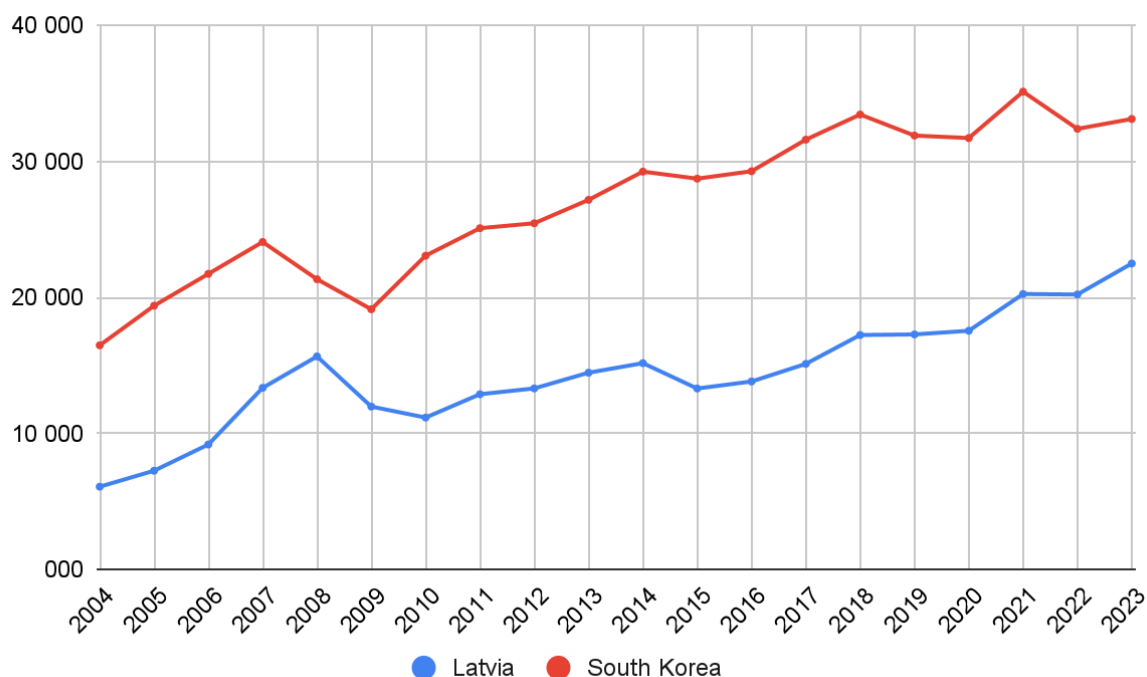


Figure 2.9 GDP per capita of South Korea and Latvia (USD) (2004-2023)⁹⁷

An examination of the GDP per capita revealed distinct trends in the economic well-being of individuals in Latvia and South Korea. South Korea consistently maintained a significantly higher GDP per capita throughout the entire period, indicating a higher average economic output per person.

While South Korea experienced steady growth with some moderation over time, Latvia exhibited a more dynamic pattern. Starting at a much lower base, Latvia showed substantial growth in GDP per capita in the mid-2000s, reflecting its economic convergence with the European Union. However, the global financial crisis of 2008-2009 caused a notable decline in Latvia's per capita GDP.

Following this, Latvia experienced a period of recovery and subsequent growth, eventually surpassing its pre-crisis levels. Nevertheless, the gap in GDP per capita between South Korea and Latvia remained considerable throughout the monitored period, highlighting the different stages of economic development and average wealth generation in the two nations. This disparity likely influences patterns of consumption, trade opportunities, and the overall economic relationship between Latvia and South Korea.

⁹⁷ GDP per capita (current US\$), World Bank. Available <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD> [accessed May 25, 2025].

2.3.2 Trade analysis

South Korea's main exports to Latvia include synthetic resins, tires, cosmetics, and medical electronic equipment, simultaneously representing Latvia's primary imports from South Korea (reported trade values vary). This indicates a trade dynamic where South Korea exports manufactured and consumer goods to Latvia.⁹⁸

Latvia's primary exports to South Korea include sawn wood, peat, other wood products, and laminated wood, simultaneously representing South Korea's main imports from Latvia (reported trade values vary). Characterized by raw and semi-processed wood-based products, these goods highlight the principal commodities in their bilateral exchange.⁹⁹

Although direct bilateral trade in services between South Korea and Latvia is less prominently documented compared to goods trade, there is an increasing emphasis on enhancing cooperation across various service sectors. Priority areas for collaboration include information and innovative technologies, financial technology, logistics and transport, tourism, education, as well as marketing and consulting services. Initiatives to advance these ties have encompassed proposals for establishing research and development centers in Latvia and promoting exchanges in sectors such as education and start-ups, reflecting a strategic effort to deepen engagement within the services economy.¹⁰⁰

⁹⁸ 국가/지역 검색 국가정보(라트비아공화국); (*Country/Region Search Country Information (Republic of Latvia)*), 외교부 (Ministry of Foreign Affairs). Available [https://www.mofa.go.kr/www/nation/m_3458/view.do?seq=83&titleNm=국가정보\(라트비아공화국\)](https://www.mofa.go.kr/www/nation/m_3458/view.do?seq=83&titleNm=국가정보(라트비아공화국)) [accessed May 25, 2025].

⁹⁹ Ibid

¹⁰⁰ *The President of Latvia opens the first Latvian-South Korean Business Forum in Seoul*, Valsts prezidenta kanceleja. Available <https://www.president.lv/en/article/president-latvia-opens-first-latvian-south-korean-business-forum-seoul> [accessed May 25, 2025].

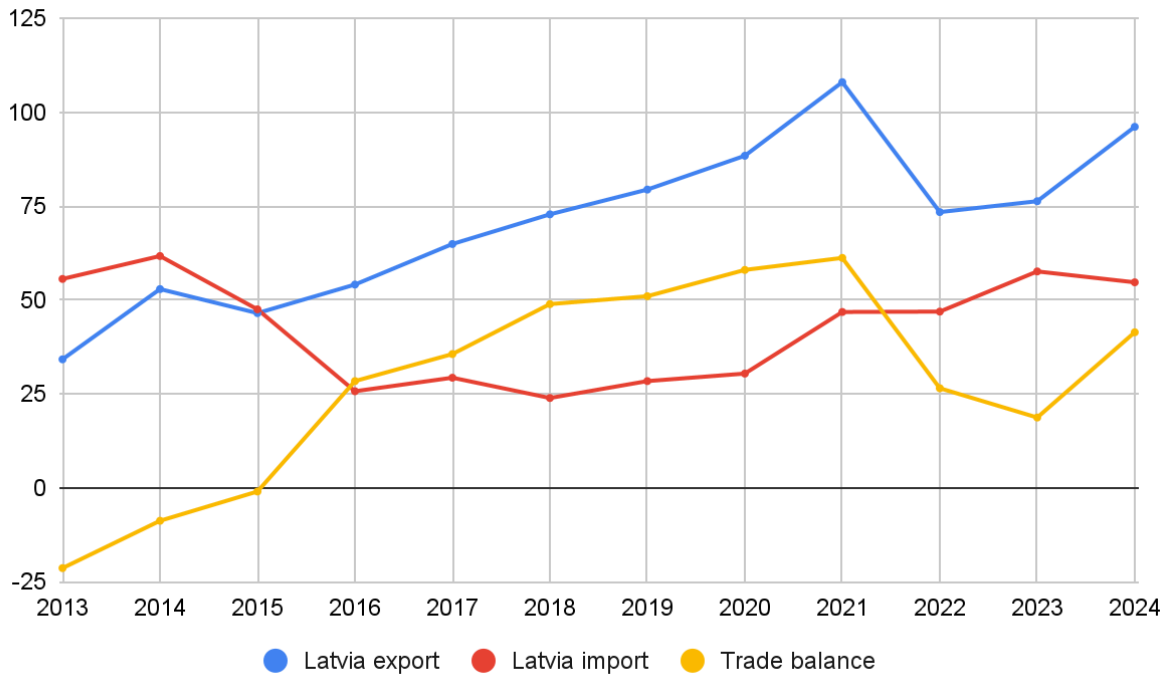


Figure 2.10 Latvia's export to South Korea¹⁰¹, Latvia's import from South Korea and Trade balance (mil. USD) (2013-2024)¹⁰²

In Figure 2.10 Latvian exports to South Korea showed a consistent growth trajectory from 2016 to a peak in 2021, demonstrating a positive trend. Notably, this growth persisted throughout the COVID-19 pandemic period, indicating resilience within the Latvian export. A decline was recorded from 2022; however, data from 2023 suggested exports began to rise again.

Over the monitoring period, Latvian imports to South Korea showed relative stability, with the exception of a significant drop observed between 2015 and 2016. Subsequently, from 2019 onwards, import values demonstrated a consistent growing trend. This indicates a growing demand for South Korean goods within Latvia or an increasing reliance on those imports.

Despite the global economic downturn triggered by the COVID-19 pandemic, Latvia's exports exhibited notable resilience and growth. This was primarily driven by a rebound in demand as international markets began to recover, alongside strong performance in key export sectors. Exports increased during both 2020 and 2021, with a particularly significant growth rate in 2021. This expansion was largely supported by robust contributions from sectors such

¹⁰¹ Latvia Exports to South Korea, Trading Economics. Available <https://tradingeconomics.com/latvia/exports/south-korea> [accessed May 25, 2025].

¹⁰² Latvia Imports from South Korea, Trading Economics. Available <https://tradingeconomics.com/latvia/imports/south-korea> [accessed May 25, 2025].

as wood and wood products, machinery and electrical equipment, as well as agricultural and food products. The sustained strength of these industries, together with targeted government interventions, enabled Latvia to mitigate the adverse effects of the pandemic more effectively than many other European countries.¹⁰³

Between 2013 and 2015, Latvia experienced a negative trade balance with South Korea, indicating a higher value of imports compared to exports. However, from 2016 onwards, the trade balance shifted to a positive trajectory, establishing Latvia as a net exporter in this bilateral exchange, reaching its most pronounced surplus in 2021.

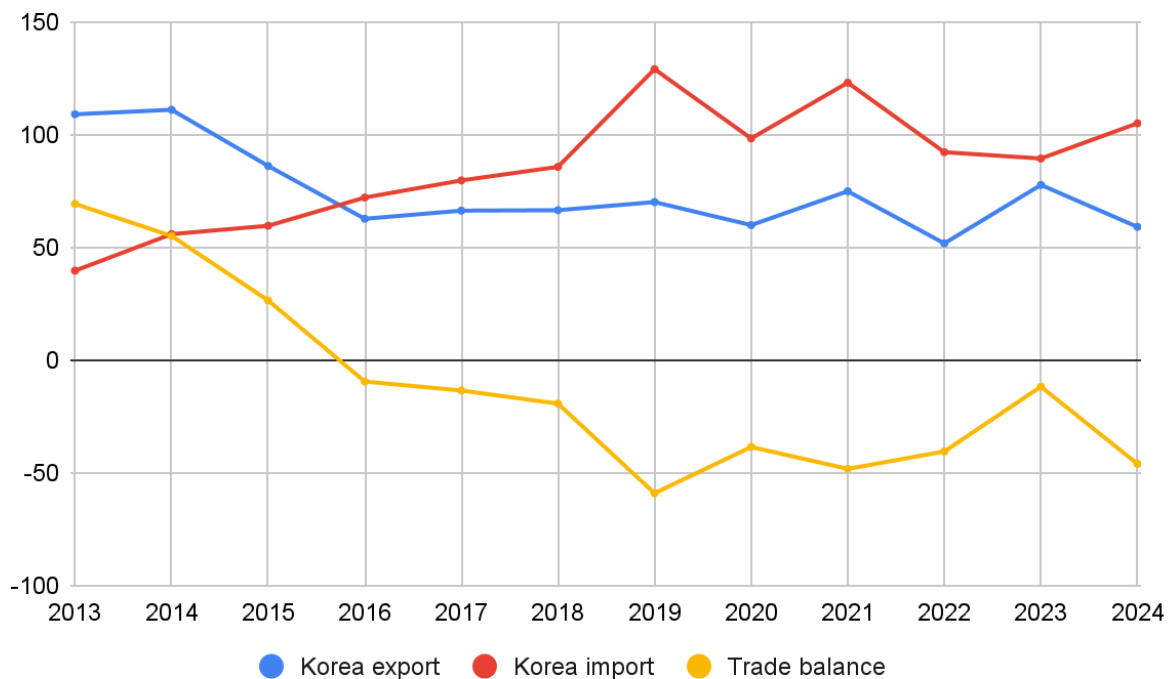


Figure 2.11 South Korea's export to Latvia,¹⁰⁴ South Korea's import from Latvia and Trade balance (mil. USD) (2013-2024)¹⁰⁵

In Figure 2.11 Korean exports to Latvia displayed volatility without a clear trend. The highest value occurred early in the monitored period, followed by a significant drop in 2015-2016. Subsequent years showed minor consolidations with a peak value in 2023. The observed declines and partial rebound consequently indicate a dynamic trade relationship.

¹⁰³ Leitner, S. (2021). *LATVIA: Faster recovery than expected, driven by release of pent up demand*. Available <https://wiiw.ac.at/latvia-faster-recovery-than-expected-driven-by-release-of-pent-up-demand-p-5948.html> [accessed May 25, 2025].

¹⁰⁴ *South Korea Exports to Latvia*, Trading Economics. Available <https://tradingeconomics.com/south-korea/exports/latvia> [accessed May 25, 2025].

¹⁰⁵ *South Korea Imports from Latvia*, Trading Economics. Available <https://tradingeconomics.com/south-korea/imports/latvia> [accessed May 25, 2025].

Korean imports from Latvia generally showed an upward trend with significant fluctuations, reaching a high in 2019 before declining and then strongly recovering in 2022 and 2024. This suggests growing long-term demand for Latvian goods in South Korea, despite temporary ups and downs.

Between 2013 and 2015, Latvia maintained a positive trade balance with South Korea, indicating a surplus of exports over imports. However, from 2016 onwards, this trend reversed, resulting in a persistent negative trade balance where South Korea became the net importer in this bilateral exchange.

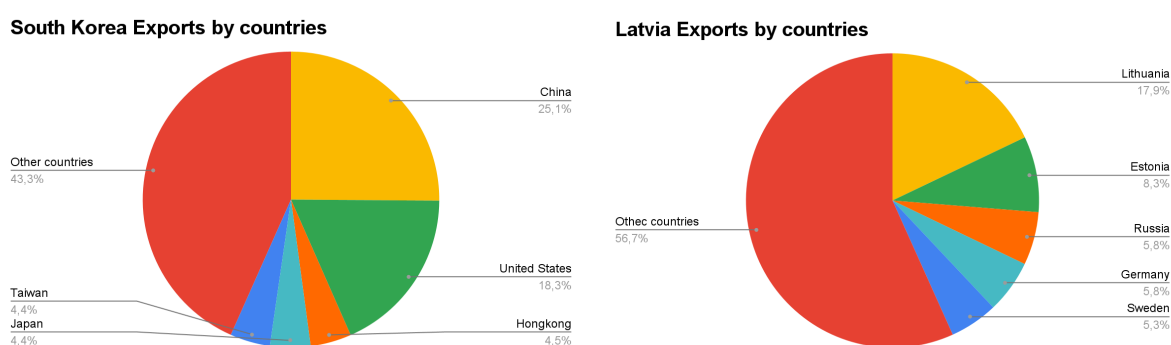


Figure 2.12 Total exports by countries of South Korea¹⁰⁶ and Latvia¹⁰⁷ (%) (2023)

A distance between South Korea and Latvia constitutes a significant factor influencing bilateral trade and investment. Figure 2.12 analysis of total exports by countries reveals that the primary export destinations for both Latvia and South Korea are predominantly geographically proximate nations.

South Korea's export landscape in the depicted year is heavily concentrated, with China serving as the primary destination at 25.1 % of total exports, closely followed by the United States at 18.3 %, indicating a significant reliance on these two global economic powers. In contrast, Latvia's export profile is far more diversified, with "Other countries" collectively forming the largest segment at 56.7 %, and its individual top partners like Estonia (8.3 %), Russia (5.8 %), and Germany (5.8 %) holding comparatively smaller, more evenly distributed shares. This divergence highlights South Korea's focus on major established markets versus Latvia's broader, less concentrated trade outreach.

¹⁰⁶ South Korea (KOR) Exports, Imports, and Trade Partners | The Observatory of Economic Complexity, OEC World. Available <https://oec.world/en/profile/country/kor> [accessed May 25, 2025].

¹⁰⁷ Latvia (LVA) Exports, Imports, and Trade Partners | The Observatory of Economic Complexity, OEC World. Available <https://oec.world/en/profile/country/lva> [accessed May 25, 2025].

2.3.3 Investment analysis

Economists Kārlis Vilerts and Matīss Mirošņikovs from Latvijas Banka aptly noted in their article, "Taking account of the fact that we cannot change the geographical location of Latvia, it seems unlikely that we could have avoided the 'higher risk stamp'." This statement underscores a fundamental challenge for attracting international investment to Latvia, a reality shaped by its geographical proximity to Russia and persistent historical tensions, despite its EU and NATO membership. This perception of higher risk is reflected in the interest rates faced by the Latvian government when borrowing on financial markets.¹⁰⁸

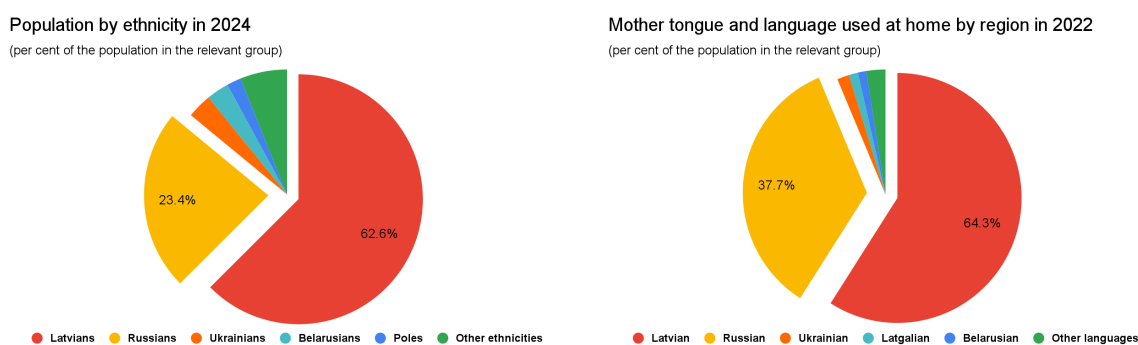


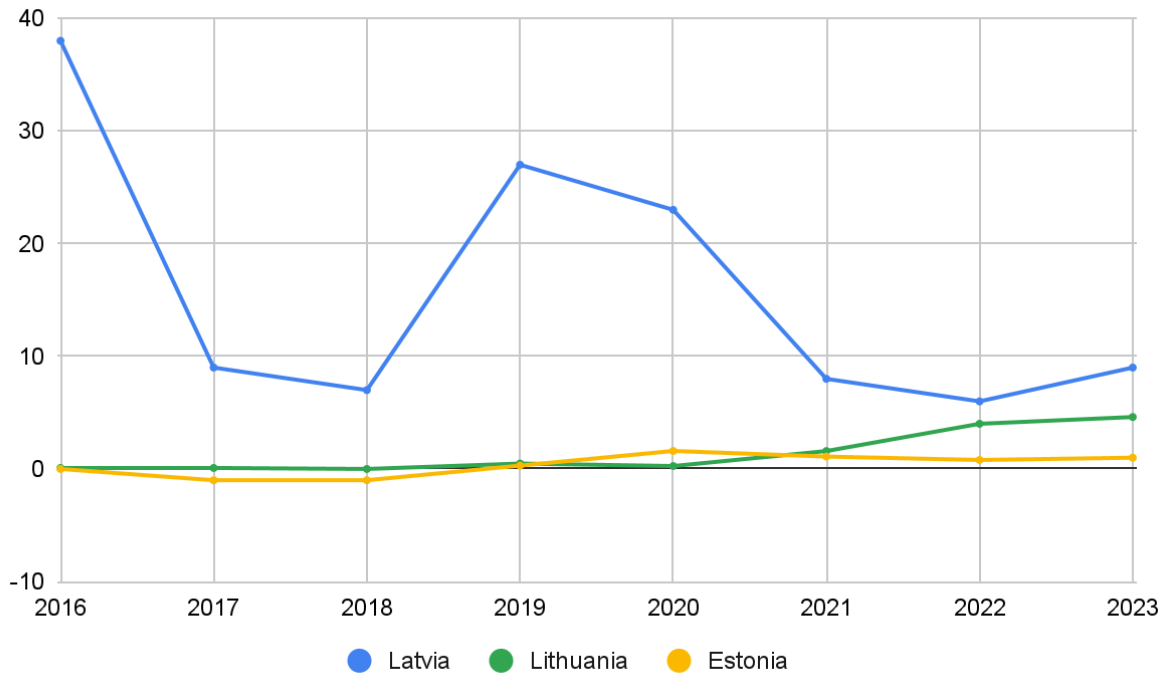
Figure 2.13 Population by ethnicity (%) (2024)¹⁰⁹ and mother tongue language (%) (2022)¹¹⁰ in Latvia

While Latvia regained full independence in 1991 following the collapse of the Soviet Union, the legacy of the Soviet occupation continues to influence its socio-political landscape. As indicated in Figure 2.13, this is evident in the significant presence of an ethnically Russian population (over 23 % in 2024) and a substantial proportion of Russian-speaking residents (over 37 % in 2022). This demographic reality, a direct consequence of the Soviet era, contributes to the complex risk assessment undertaken by international investors and likely contributes to the overall lower levels of private sector investment observed in Latvia compared to the EU average, influenced by its geopolitical location and demographic legacy.

¹⁰⁸ Vilerts, K., & Mirošņikovs, M. (2023). How has Russia's invasion of Ukraine affected Latvia's economy?. Available <https://www.macroeconomics.lv/raksti/how-has-russias-invasion-ukraine-affected-latvias-economy> [accessed May 25, 2025].

¹⁰⁹ Population, population change and natural increase by ethnicity 1980 - 2024, National Statistical System of Latvia. Available https://data.stat.gov.lv/pxweb/en/OSP_PUB/START_POP_IR_IRE/IRE020/table/tableViewLayout1/ [accessed May 25, 2025].

¹¹⁰ Mother tongue and language used at home by region in 2022 (per cent of the population in the relevant group), National Statistical System of Latvia. Available https://data.stat.gov.lv/pxweb/en/OSP_OD/OSP_OD_apsekojumi_pieaug_izgl/PIA77.px/table/tableViewLayout1/ [accessed May 25, 2025].



*Figure 2.14 Korean investments (stock) in Baltic States (mil. EUR) (2016-2023)*¹¹¹

The aforementioned factors, contributing to a 'higher risk stamp' and a complex investment environment, appear to play a significant role in the structural challenge facing the Latvian economy: its low level of investment activity. Private sector investments in Latvia have consistently been lower than its Baltic neighbors, Lithuania and Estonia, as well as the EU average in recent years. This lack of investment poses a serious obstacle to Latvia's continued convergence with Western Europe's income levels.¹¹²

However, despite this general trend, an interesting divergence emerges when examining the specific flows from South Korea. When compared to Lithuania and Estonia regarding Korean investment, Latvia stands out as the leading recipient, exhibiting a significant disparity within the Baltic group, as illustrated in Figure 2.14.

¹¹¹

1. *Direct investment position in Estonia and abroad by country (EUR million)*, Eesti Pank. Available <https://statistika.eestipank.ee/#/en/p/146/r/4593/4342> [accessed May 25, 2025].
2. *Direct investment direction - Direct investment in Latvia*. Latvijas Banka. Available <https://statdb.bank.lv/lb/Data/128/afc4cb1db15d98b0ade6264d57181a1d.html> [accessed May 25, 2025].
3. *Direct investments statistics*. Lietuvos Banka. Available https://www.lb.lt/en/direct-investments-statistics?ff=1&date_interval%5Bfrom%5D=2016&date_interval%5Bto%5D=2023&DAZN=A&TUI_COUNT_AREA%5B%5D=KR&TUI_PRIEM_TURT%5B%5D=F [accessed May 25, 2025].

¹¹² Vilerts, K., & Mirošņikovs, M. (2023). How has Russia's invasion of Ukraine affected Latvia's economy?. Available <https://www.macroconomics.lv/raksti/how-has-russias-invasion-ukraine-affected-latvias-economy> [accessed May 25, 2025].

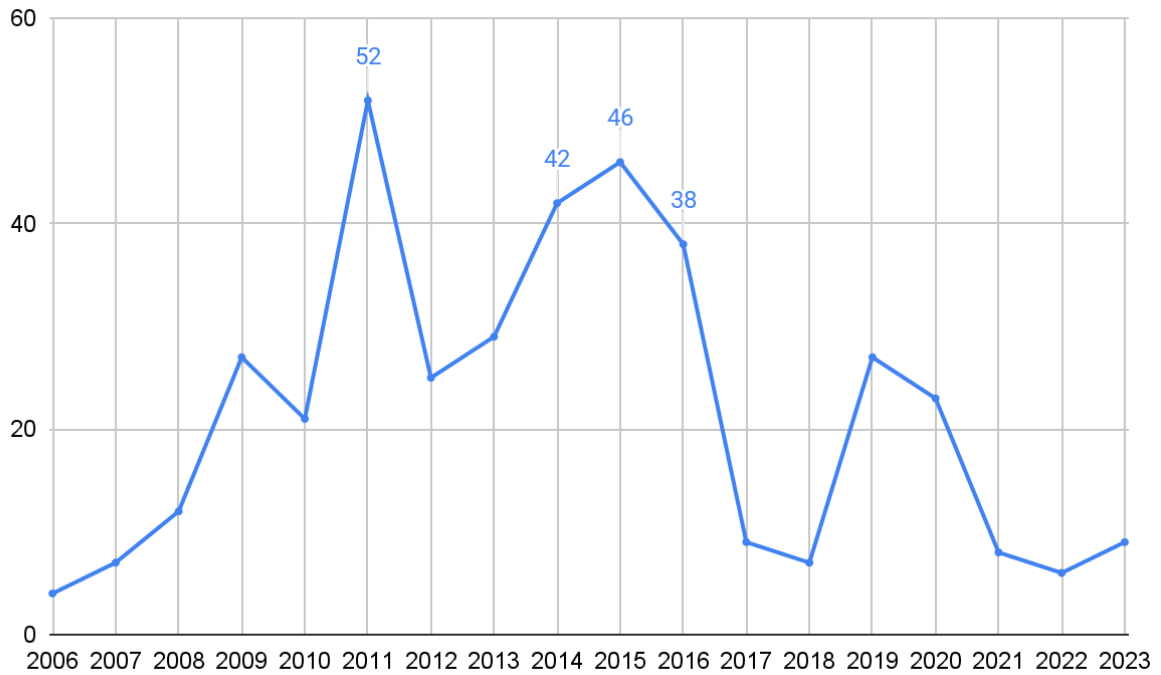


Figure 2.15 Korean investments (stock) in Latvia (mil. EUR) (2006-2023)¹¹³

Building on Latvia's position as a prominent recipient of Korean investment within the Baltic states, Figure 2.15 provides a more detailed view of the temporal distribution of the FDI stock within Latvia itself. The data indicates that significant levels of total accumulated Korean investment in Latvia were reached by the end of the years 2011 (52 million EUR), 2014 (42 million EUR), 2015 (46 million EUR), and 2016 (38 million EUR). It's important to note that these figures represent the *total accumulated investment at the end of each year*, not just new investments made within that year. Detailed information on the specific sectors that held these Korean investments remains limited, likely due to commercial confidentiality or strategic reasons. Further research or direct inquiries with Latvian economic institutions may be needed to gain a clearer sectoral breakdown and to understand the underlying drivers of these investment levels.

¹¹³ *Direct investment direction - Direct investment in Latvia*. Latvijas Banka. Available <https://statdb.bank.lv/lb/Data/128/afc4cb1db15d98b0ade6264d57181a1d.html> [accessed May 25, 2025].

Table 2.3

Latvian investments (stock) in South Korea (mil. EUR) (2004, 2020, 2021, 2022)

2004	2020	2021	2022
0	1	1	0

Source: Prepared by the author, collected data from Latvijas Banka Direct investment direction - Direct investment abroad (South Korea)

In stark contrast to the inbound Korean investment into Latvia, the flow of direct investment from Latvia to South Korea has been minimal, as detailed in Table 2.3. According to data from Latvijas Banka, Latvian direct investment in South Korea is virtually non-existent, with recorded investments only occurring in 2020 and 2021, each amounting to a modest 1 million euros. This indicates a significant asymmetry in the bilateral investment relationship, with a low level of outbound investment activity from Latvia toward South Korea to date. This observation, however, should be considered with the caveat that some investment activities might not be publicly recorded due to commercial confidentiality or strategic reasons.

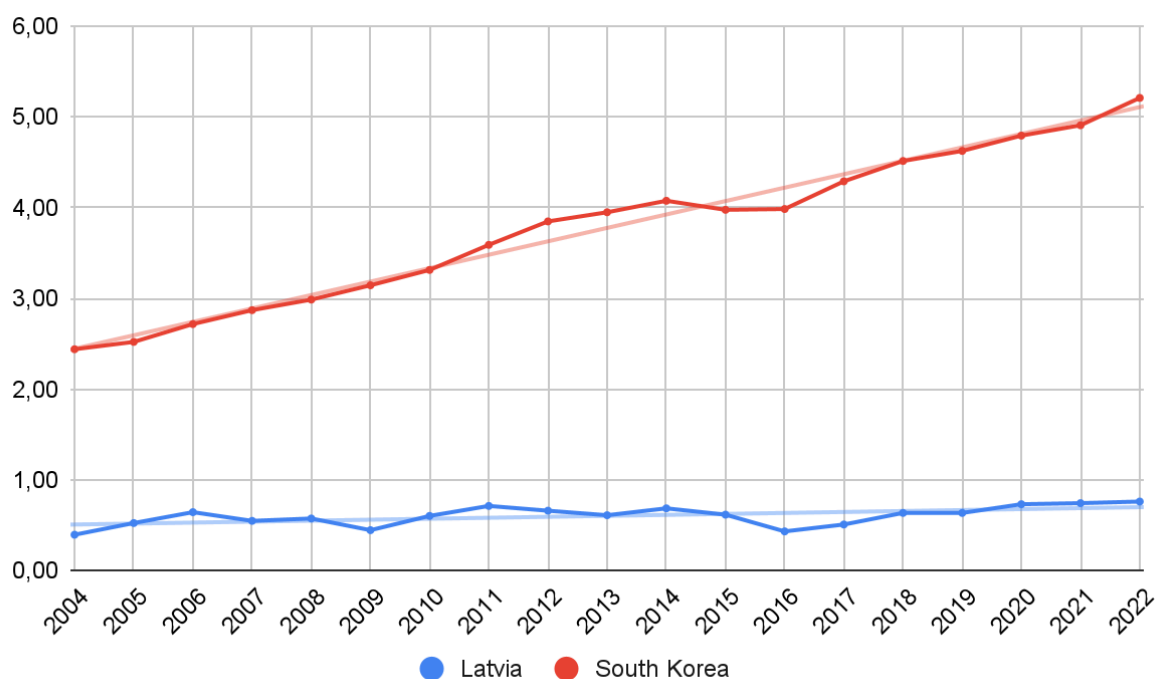


Figure 2.16 R&D expenditure of GDP (%) (2004-2022)¹¹⁴

¹¹⁴ Research and development expenditure (% of GDP). World Bank Group. Available <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS> [accessed May 25, 2025]

Beyond the analysis of direct investment flows, another critical dimension for understanding the long-term economic relationship and potential areas for future synergy lies in the comparison of research and development (R&D) expenditure. As shown in Figure 2.16, from 2004 to 2022 a stark contrast in R&D expenditure as a percentage of GDP between Latvia and South Korea underscores fundamentally different approaches to innovation-driven growth.

South Korea consistently exhibits a high and generally increasing percentage of GDP allocated to R&D throughout this period. In contrast, Latvia's R&D expenditure as a percentage of GDP remains considerably lower and displays more volatility over the same timeframe. This lower and more volatile R&D intensity in Latvia likely reflects several factors. Given Latvia's smaller economic size and different industrial structure compared to South Korea, a direct comparison of overall R&D expenditure as a percentage of GDP needs careful consideration. Latvia's strategic focus on specific niche sectors and participation in international research collaborations might also influence its aggregate R&D figures.

The fundamentally different approaches to innovation, as evidenced by the R&D expenditure comparison, also highlight the potential for synergy. The differing structures and focuses of the Latvian and South Korean economies present opportunities for significant complementarity in the technology and innovation space. South Korea boasts well-established global leadership in advanced manufacturing, particularly in electronics, automotive production, and the development of sophisticated IT infrastructure.¹¹⁵

Further underscoring the commitment to fostering collaboration in the startup sector, in October 2019, South Korea's Ministry of SMEs and Startups and Latvia's Ministry of Economy signed a memorandum of understanding (MOU) to enhance startup collaboration and exchange, acknowledging Latvia's emergence as a European startup hub with robust 4G and fiber optic infrastructure, especially in areas like blockchain and AI (Artificial Intelligence).¹¹⁶

The MOU aims to establish formal communication channels between the two governments and enhance collaboration between their respective startup ecosystems. Startups from Latvia were encouraged to participate in the Korea Startup Center (KSC) in Stockholm

¹¹⁵ *Korean Focus Areas: A global powerhouse in science and technology*, OECD. Available https://www.oecd.org/en/publications/korean-focus-areas_f91f3b75-en/a-global-powerhouse-in-science-and-technology_61cbd1ad-en.html [accessed May 25, 2025].

¹¹⁶ 중기부, 라트비아와 '스타트업 교류 및 기술협력 합의' (*The Ministry of SMEs and Startups (MSS) and Latvia Agree on Startup Exchange and Technology Cooperation*), Ministry of SMEs and Startups. Available <https://www.mss.go.kr/site/smba/ex/bbs/View.do?cbIdx=86&bcIdx=1015062&parentSeq=1015062> [accessed May 25, 2025].

and Helsinki, which facilitates corporate exchange, investor relations, and networking opportunities. The KSC functions as a collaborative platform for startups and investors from both regions, promoting open innovation. There is also optimism regarding future joint initiatives such as research collaborations, product localization, and other cooperative efforts to strengthen bilateral ties in the startup sector.¹¹⁷

In contrast, Latvia's innovation landscape is characterized by a dynamic and rapidly growing startup ecosystem, demonstrating agility and specialized expertise in niche areas such as cybersecurity solutions, financial technology innovations, and sustainable green technologies. This divergence suggests that collaborative ventures could effectively leverage South Korea's scalability and manufacturing prowess with Latvia's innovative and adaptable solutions.¹¹⁸

3. RESEARCH ON FACTORS INFLUENCING ECONOMIC RELATIONS BETWEEN SOUTH KOREA, EUROPEAN UNION AND LATVIA

The third chapter presents an empirical assessment of the economic relations between South Korea and the European Union, with a particular focus on the EU member state, Latvia. A mixed-methods approach was employed: qualitative data were collected through interviews, while quantitative analysis was conducted using statistical methods.

3.1 Methodology

The aim of this research is to identify the factors that affect economic relations between South Korea and the European Union, with a focus on Latvia, in order to assess Latvia's current role and explore its potential to strengthen future trade and investment cooperation. For this research, two research questions (explored through qualitative methods) and one hypothesis (tested through quantitative methods) were chosen;

¹¹⁷ 중기부, 라트비아와 '스타트업 교류 및 기술협력 합의' (*The Ministry of SMEs and Startups (MSS) and Latvia Agree on Startup Exchange and Technology Cooperation*), Ministry of SMEs and Startups. Available <https://www.mss.go.kr/site/smba/ex/bbs/View.do?cbIdx=86&bcIdx=1015062&parentSeq=1015062> [accessed May 25, 2025].

¹¹⁸ *Strong startup ecosystem*. Invest in Latvia, LIAA. Available <https://investinlatvia.org/en/why-latvia/reason/strong-startup-ecosystem> [accessed May 25, 2025].

The **research questions** of this master thesis are:

1. *Has there been a significant increase in trade and investment between South Korea and the EU since the implementation of the FTA?*
2. *What key factors currently prevent Latvia and South Korea from realizing their full economic collaborative potential?*

Hypothesis:

H1: Latvia's membership in the European Union, while providing access to the broader EU-South Korea trade framework, has not resulted in a proportionally equivalent increase in South Korean foreign direct investment compared to other EU member states with similar market characteristics.

H0: Latvia's membership in the European Union has resulted in a proportionally equivalent increase in South Korean foreign direct investment compared to other EU member states with similar market characteristics, after controlling for GDP, Population, Product Market Regulation, and Corporate Tax Rate.

This research adopts a mixed-methods approach to answer the research questions, empirically test the hypothesis, and identify the factors shaping economic relations between South Korea and the European Union, with particular attention to Latvia's role. To achieve this, both qualitative and quantitative methods were employed to analyze the current state of trade and investment and assess the underlying drivers of economic cooperation. In addition, the monographic method was applied by focusing in depth on Latvia as a case study within the broader EU–South Korea economic context. This allowed for a more detailed and country-specific examination of economic patterns, challenges, and opportunities.

The qualitative approach was based on two interviews. Interviews were conducted remotely via an online platform with representatives identified as South Korea-Latvia economic experts. Each interview followed a structured format comprising six primary questions and subsequent follow-up inquiries. With prior agreement, voice recordings of the interview conversations were made to enable the author to generate written transcripts. Following transcription, the documents were shared with the respective interviewees for review. This allowed them to redact any confidential data or sensitive comments deemed unsuitable for academic publication. Upon confirmation and the return of the revised written transcripts to the author, the corresponding voice recordings were permanently deleted. The interview transcripts will be provided in the Appendix A and Appendix B.

Interviews were held with following people:

- Mārtiņš Baumanis - Head of the Representative Office in the Republic of Korea for the Investment and Development Agency of Latvia. Dual role as Economic Counselor at the Embassy of the Republic of Latvia to the Republic of Korea,
- Myungje Sung - Former Third Secretary and Vice-Consul (Economic Affairs), Embassy of the Republic of Korea to the Republic of Latvia.

The quantitative approach involved a series of statistical methods, with multiple linear regression analysis serving as the primary inferential tool to empirically test the central hypothesis. This comprehensive approach also included descriptive statistics and correlation analysis to prepare and explore the data, while regression was specifically chosen for its ability to model the relationship between a dependent variable (South Korean FDI stock) and multiple independent variables, controlling for their individual effects. It is important to note that the regression analysis inherently includes t-tests for individual coefficient significance and ANOVA (Analysis of Variance) for assessing the overall model's statistical significance.

Data Collection and Variables:

The dataset for the quantitative analysis comprised annual observations for five EU member states: Latvia, Estonia, Lithuania, Slovakia, and Slovenia, covering the period from 2020 to 2023. This time frame was selected based on data availability. The variables included in the model were chosen for their theoretical relevance to foreign direct investment and their availability across the selected countries:

- **Dependent Variable:** South Korean FDI stock (mil. EUR)
- **Independent Variables:**
 - GDP (mil. EUR)
 - Population (mil.)
 - Product Market Regulation (PMR) index
 - Corporate Tax Rate (%)
 - Latvia Dummy variable: A binary variable (1 for Latvia, 0 for other peer countries) specifically included to test the unique effect of Latvia on South Korean FDI stock, as per the hypothesis.

It is important to note that while the EU Accession Year variable was collected as part of the dataset, it was excluded from the final regression model. Its constant value across all observations meant it provided no variation, thus preventing the estimation of its coefficient in a multiple linear regression.

Peer Group Selection:

The selection of Estonia, Lithuania, Slovakia, and Slovenia as a peer group for Latvia was deliberate. These countries represent small to medium-sized EU member states located in Central and Eastern Europe, sharing a common EU accession year of 2004. This ensures a consistent trade policy framework, including equal access to the EU-South Korea Free Trade Agreement. Furthermore, these countries were chosen due to their comparable population sizes, GDP levels, and regional proximity, making them suitable for a robust cross-country comparison.

Statistical Analysis:

Prior to the regression analysis, descriptive statistics were computed to summarize the characteristics of all variables within the dataset. A Pearson correlation matrix was also generated to assess the linear relationships between all pairs of variables, helping to identify potential multicollinearity among independent variables. The multiple linear regression model was then estimated, and its overall statistical significance was assessed using ANOVA (F-test). The statistical significance of individual independent variables, including the Latvia Dummy, was evaluated using t-tests on their respective coefficients. All statistical analyses were conducted using Microsoft Excel.

3.2 Qualitative analysis and answers to the research questions

This section directly addresses the two primary research questions guiding this study on the economic relations between South Korea and Latvia. Drawing upon the legal framework and the comprehensive analysis of trade and investment flows presented in Chapter 2, as well as the insights gained from interviews with Myungje Sung, former Third Secretary and Vice-Consul (Economic Affairs) at the Embassy of the Republic of Korea to the Republic of Latvia, and Mārtiņš Baumanis, Head of the Representative Office in the Republic of Korea for the Investment and Development Agency of Latvia and Economic Counselor at the Embassy of Latvia, this chapter will provide evidence-based answers to these inquiries.

3.2.1 The Impact of the EU-South Korea FTA on Trade and Investment

The first research question seeks to determine the significance of the Free Trade Agreement between South Korea and the European Union on their bilateral economic activity:

Has there been a significant increase in trade and investment between South Korea and the EU since the implementation of the FTA?

As detailed in Section 2.1, the EU-South Korea Free Trade Agreement has been in effect since 2011 and was officially ratified in 2015. This agreement was designed to progressively eliminate tariffs on a vast majority of traded goods, including industrial and agricultural commodities, aiming to enhance market access and competitiveness for exporters on both sides. Furthermore, the FTA sought to reduce non-tariff barriers affecting key EU exports and promote the liberalization of service markets.

Figure 2.3 ['Korean Exports to and Imports from the EU (2015-2023)'] illustrates the trends in trade between South Korea and the European Union following the full implementation of the FTA in 2015. As depicted in the figure, both South Korean exports to the EU and South Korean imports from the EU show a general upward trajectory from 2015 to 2023. Notably, there is a clear increase in the volume of trade in the years following the FTA's ratification, with a particularly significant rise observed starting around 2020. This visual evidence suggests that the reduction in trade barriers and enhanced market access facilitated by the FTA have indeed contributed to a growth in the exchange of goods between the two economic blocs.

Similarly, Figure 2.4 ['EU Exports to and Imports from South Korea (2013-2024)'] presents the European Union's perspective on this trade relationship. The data in this figure also indicates a general increase in both EU exports to South Korea and EU imports from South Korea over the period examined, with a noticeable uptick after 2015. This reciprocal growth in both export and import flows from both sides further reinforces the notion that the EU-South Korea FTA has fostered greater bilateral trade in goods.

Reinforcing the quantitative data presented in these figures, Mārtiņš Baumanis, Head of the Representative Office in the Republic of Korea for the Investment and Development Agency of Latvia, noted in his interview that the EU-South Korea FTA has 'facilitated the economic cooperation between Latvia and South Korea which has experienced rapid growth in recent years.' While his comment specifically addresses the Latvian-South Korean bilateral

relationship, it suggests a positive broader impact of the FTA on economic ties within the EU framework, leading to increased trade and cooperation.

To further assess the impact of the EU-South Korea FTA, it is crucial to examine the trends in Foreign Direct Investment (FDI) between the two regions. Figure 2.7 ['Investment between South Korea and the EU (2006-2023)'] illustrates these investment flows over time. As depicted in the figure, Korean FDI into the EU generally shows an upward trajectory throughout the period, with a notable increase observed from around 2017 onwards, a few years after the full ratification of the FTA. This suggests a growing interest and strategic commitment from South Korean firms to establish and expand their presence within the European market, potentially facilitated by the more favorable investment environment created by the agreement.

Similarly, while EU FDI into South Korea fluctuated more, the figure indicates a significant peak around 2017. This suggests that the FTA may have also incentivized European companies to increase their investment activities in South Korea by providing greater legal certainty and market access. The convergence of the two investment flow lines towards the end of the observed period further highlights a deepening economic interdependence beyond just trade in goods.

In conclusion, the evidence from both the analysis of trade flows, as depicted in Figures [2.3] and [2.4], and the trends in Foreign Direct Investment, as illustrated in Figure [2.7], strongly suggests that there has been a significant increase in trade and investment between South Korea and the EU since the implementation of the FTA. The progressive elimination of tariffs and the reduction of non-tariff barriers appear to have fostered greater bilateral trade in goods, while the increasing trends in FDI indicate a deepening investment relationship. The insights from the interview with Mr. Baumanis further support this conclusion, highlighting the positive impact of the FTA on economic cooperation. Therefore, the EU-South Korea FTA has played a crucial role in strengthening the economic ties between South Korea and the European Union.

3.2.2 Key Factors Limiting Economic Collaboration Between Latvia and South Korea

The second research question seeks to identify the primary factors that currently hinder Latvia and South Korea from achieving their full potential in terms of economic collaboration:

What key factors currently prevent Latvia and South Korea from realizing their full economic collaborative potential?

Drawing upon the analysis of trade and investment patterns between South Korea and Latvia presented in Section 2.3 of Chapter 2, as well as the insights shared by Myungje Sung and Mārtiņš Baumanis in their respective interviews, this section will explore the significant barriers that impede a more robust economic relationship between the two nations.

One of the most significant impediments to closer economic ties between Latvia and South Korea is the substantial **geographical distance** separating the two countries. As highlighted in the analysis of total exports by countries in Figure 2.13[Total Exports by Country] in Chapter 2, both Latvia and South Korea primarily engage in trade with geographically proximate nations. This inherent distance creates considerable logistical challenges, increasing transportation costs and extending delivery times for goods exchanged between the two countries. Both interviewees corroborated the impact of this factor. Myungje Sung explicitly stated that 'the distance between us is a real hurdle. Shipping stuff halfway across the world isn't cheap or fast.' Similarly, Mārtiņš Baumanis emphasized that the geographical separation, ranging from 7,000 to 8,000 kilometers, 'slows things down somewhat' for the movement of people and goods. He further elaborated that for certain goods, like food exports, the distance limits what Latvia can export to Korea to only items with a long expiry date, directly impacting the potential for trade in perishable goods.

Another crucial barrier hindering deeper economic collaboration is the **limited mutual information and awareness** between businesses in Latvia and South Korea. Myungje Sung observed that 'a lot of Korean businesses don't really know much about Latvia, they tend to think of Europe as one big place, but Latvia's unique.' He further suggested that 'more sustained and effective efforts are needed' to promote Latvia in South Korea. This lack of specific understanding can prevent Korean companies from recognizing the unique opportunities and advantages that Latvia offers.

Similarly, Mārtiņš Baumanis echoed this sentiment, stating that 'the novelty of Latvian products in the Korean market presents both an opportunity and a barrier. Each product essentially starts from zero in terms of market awareness. Companies need to invest in significant marketing efforts and even explain the geographical location of Latvia. The size and recognition of Latvia as a country also pose a considerable barrier.' This lack of pre-existing knowledge requires significant investment in marketing and education for Latvian companies trying to enter the South Korean market, potentially deterring smaller businesses.

A further impediment to seamless economic exchange lies in the **divergent regulatory landscapes and certification requirements** of the European Union and South Korea. Myungje Sung highlighted this issue by stating, 'Even though there's a free trade agreement between Korea and the EU, real-world paperwork and standards can still slow things down.' He also mentioned that some Korean companies postponed investment plans after learning about Latvia's regulatory situation as an EU member.

Mārtiņš Baumanis provided a more specific example, emphasizing that while Latvian companies are accustomed to EU certifications like the CE mark, 'exporting to Korea requires obtaining the KC mark and other specific certifications.' He noted that this poses 'a significant barrier, particularly for sectors like children's products, despite the Investment and Development Agency of Latvia offering support in this area. These differing standards can create significant hurdles in terms of cost, time, and complexity for companies trying to access each other's markets.

Beyond the tangible barriers of distance and regulations, **cultural and differing business practices** also present challenges to smoother economic collaboration. Mārtiņš Baumanis provided several examples of these nuances, noting that 'Korean companies seem unafraid to diversify significantly,' a practice that can 'confuse' Latvian businesses who 'tend to stick to their core activities.' He also pointed out the difference in the blending of private and business life, which is common in Korea but less so in Latvia, potentially leading to misunderstandings in relationship building. Furthermore, Mr. Baumanis mentioned that 'Korean counterparts often request initial shipment discounts or similar incentives, which is not a common practice for Latvian companies, potentially causing confusion and hindering initial agreements. These cultural and business practice differences, while perhaps less tangible than logistical or regulatory hurdles, can still create friction and slow down the development of strong economic partnerships.

Furthermore, it is important to consider factors related to Latvia's geopolitical context, as highlighted in Chapter 2, which may also indirectly limit the full realization of economic potential with South Korea. The analysis in Section 2.3.3 cited economists Vilerts and Mirošņikovs (2023) noting Latvia's 'higher risk stamp' due to its geographical proximity to Russia and historical tensions.¹¹⁹ While this perception was not directly corroborated by the interviewees, it remains a factor identified in the broader literature that could potentially influence the investment decisions of South Korean companies, making them more hesitant to

¹¹⁹Vilerts, K., & Mirošņikovs, M. (2023). How has Russia's invasion of Ukraine affected Latvia's economy?. Available <https://www.macroeconomics.lv/raksti/how-has-russias-invasion-ukraine-affected-latvias-economy> [accessed May 25, 2025].

invest in Latvia compared to other, seemingly more stable, European nations. This perceived risk, even if not directly related to the bilateral relationship with South Korea, can still act as a broader deterrent to foreign investment in Latvia, including from South Korea.

Another factor indicating an unrealized economic potential is the significant **asymmetry in bilateral investment flows**, as detailed in Section 2.3.3 and Table 2.3[Latvian Investments in South Korea] of Chapter 2. The data revealed a relatively notable level of Korean investment into Latvia, particularly in specific years. In stark contrast, Latvian direct investment in South Korea has been minimal, with recorded investments only occurring in 2020 and 2021, each amounting to a modest sum. This lack of significant outbound investment from Latvia suggests a potentially limited understanding of investment opportunities in South Korea by Latvian businesses or a lack of resources and strategic focus in that direction. This imbalance indicates an area where greater awareness and facilitation could potentially foster a more reciprocal economic relationship.

Finally, the **lack of consistent direct transportation links**, particularly air travel, can also be considered a factor limiting closer economic collaboration. Myungje Sung mentioned the successful but ultimately discontinued direct charter flight route between Riga and Incheon in 2019. He believed that if this route had been established as a regular service, 'it could have broken down the barrier of distance' by 'invigorating people-to-people exchanges between the two countries and improving mutual understanding.' The absence of a regular direct flight makes business travel and the transportation of certain goods less convenient, potentially hindering the development of stronger business relationships and trade.

In conclusion, several key factors currently impede Latvia and South Korea from fully realizing their economic collaborative potential. These include the significant geographical distance and associated logistical challenges, a lack of comprehensive mutual information and awareness among businesses, differing regulatory and certification requirements, cultural and business practice differences, Latvia's perceived geopolitical risk, the asymmetry in bilateral investment flows, and the absence of consistent direct transportation links. Addressing these multifaceted barriers through targeted efforts in information sharing, regulatory cooperation, cultural exchange initiatives, and potentially improved connectivity could pave the way for a more robust and mutually beneficial economic relationship between Latvia and South Korea in the future.

**Summarized Insights on Factors Limiting Latvia-South Korea Economic Collaboration
from Interviews with Myungje Sung and Mārtiņš Baumanis**

Factor Category	Myungje Sung (Impact/Perspective)	Mārtiņš Baumanis (Impact/Perspective)
Geographical Distance and Connectivity/ Logistics	<ul style="list-style-type: none"> • The cost and time of shipping goods "halfway across the world." • The negative impact of the discontinued Riga-Incheon direct charter flight (a connectivity issue stemming from geographical distance). 	<ul style="list-style-type: none"> • The 7,000-8,000 km separation, slowing down the movement of both people and goods. • The limitation this distance imposes on food exports (due to perishability).
Lack of Information & Awareness	<ul style="list-style-type: none"> • Many Korean businesses have limited knowledge of Latvia, often grouping it with the rest of Europe. • The need for more sustained and effective efforts to promote Latvia in South Korea 	<ul style="list-style-type: none"> • Latvian products essentially start "from zero" in terms of market awareness in Korea. • The need for significant marketing investment, even to explain Latvia's location.
Regulatory Differences	<ul style="list-style-type: none"> • Despite the Korea-EU FTA, "real-world paperwork and standards" can still hinder progress. • Some Korean companies delayed investment due to Latvia's regulatory situation. 	<ul style="list-style-type: none"> • The specific example of the CE mark (EU) versus the KC mark (Korea). • The added cost and complexity this creates for businesses.
Cultural and Business Practice Disparities		<ul style="list-style-type: none"> • Differences in diversification strategies between Korean and Latvian companies. • Variations in expectations around relationship-building and business negotiations (e.g., requests for initial shipment discounts).
Proposed Solutions	<ul style="list-style-type: none"> • Improving information access (e.g., joint business centers). • Providing tax breaks and grants. • Supporting entrepreneurship (e.g., startup exchanges). 	<ul style="list-style-type: none"> • The importance of increased communication.

Source: Analyzed by Author from Interview transcripts [see Appendix A,B]

As highlighted in Table 3.1, the expert opinions of Myungje Sung and Mārtiņš Baumanis underscore the multifaceted nature of the barriers preventing Latvia and South

Korea from realizing their full economic collaborative potential, aligning with the broader trends observed in the quantitative data. In this chapter and table, the author specifically underscores these multifaceted barriers to address the research questions.

For a more comprehensive analysis of South Korea and Latvia's overall relations, the complete interview transcripts, along with detailed discussions of their trade and investment, key determining factors, and future challenges, can be found in Appendices.

3.3 Quantitative analysis and hypothesis testing

The countries selected for this analysis are Estonia, Lithuania, Slovakia, and Slovenia, along with Latvia. These chosen countries represent a group of small to medium-sized EU member states located in Northern and Central Europe. They were all admitted to the European Union in 2004, which ensures a shared trade policy framework, including equal access to the EU–South Korea Free Trade Agreement. These countries were selected due to their comparable population sizes, GDP levels, and regional proximity, which make them suitable for a cross-country comparison.

Table 3.2

Key Economic and Regulatory Variables Relevant to South Korean FDI (2020-2023)

EU Accession Year : 2004		KR FDI stock (mil. EUR)	GDP (mil. EUR)	Population (mil.)	PMR	Corporate Tax Rate (%)
2020	Latvia	23.00	25,784	1.9	1.2	20
	Estonia	1.60	24,556	1.3	0.8	20
	Lithuania	0.26	44,294	2.8	1.0	15
	Slovakia	3,204.49	83,131	5.5	1.4	21
	Slovenia	4.10	41,219	2.1	1.1	19
2021	Latvia	8.00	28,426	1.9	1.2	20
	Estonia	1.10	27,664	1.3	0.8	20
	Lithuania	1.59	49,964	2.8	1.0	15
	Slovakia	3,568.19	89,761	5.5	1.4	21
	Slovenia	2.10	45,743	2.1	1.1	19
2022	Latvia	6.00	31,859	1.9	1.2	20
	Estonia	0.80	32,144	1.4	0.8	20
	Lithuania	4.01	59,438	2.8	1.0	15
	Slovakia	4,124.77	96,996	5.4	1.4	21
	Slovenia	6.40	50,118	2.1	1.1	19
2023	Latvia	9.00	34,361	1.9	1.2	20
	Estonia	1.00	33,634	1.4	0.8	20

	Lithuania	4.61	65,050	2.9	1.0	15
	Slovakia	3,167.45	108,377	5.4	1.4	21
	Slovenia	13.40	56,290	2.1	1.1	19

Source: Created by Author including KR FDI Stock from Latvia, Estonia, Lithuania, Slovakia, Slovenia; GDP*, Population, PMR and Corporate Tax Rate.¹²⁰

As shown in Table 3.2 [‘Key Economic and Regulatory Variables Relevant to South Korean FDI (2020-2023)’], the variables selected for analysis include key economic and regulatory indicators relevant to bilateral economic relations with South Korea: South Korean exports, GDP, population, the Product Market Regulation (PMR) index, corporate tax rate, and EU accession year. These variables provide the basis for the statistical methods used in this research and the analyses that follow, helping to contextualize Latvia’s position within the group and offering initial insight into the economic and regulatory landscape that may influence South Korean foreign direct investment in these EU member states. All data correspond to the time period 2020–2023, as more recent data are not yet available and longer time series are not consistently accessible across all variables.

*For the GDP data presented in this section, the original source indicated figures in United States Dollars (USD). To ensure currency consistency with other data presented in this table, the author converted the USD values to Euros (EUR) using the exchange rate of 1 USD = 0.813 EUR, as quoted by the European Central

- ¹²⁰1. *Direct investment direction - Direct investment in Latvia*. Latvijas Banka. Available <https://statdb.bank.lv/lb/Data/128/afc4cb1db15d98b0ade6264d57181a1d.html> [accessed May 25, 2025].
2. *Direct investment position in Estonia and abroad by country (EUR million)*, Eesti Pank. Available <https://statistika.eestipank.ee/#/en/p/146/r/4593/4342> [accessed May 25, 2025].
3. *Foreign Direct Investment*, National Bank of Slovakia. Available <https://nbs.sk/en/statistics/balance-of-payments-statistics/foreign-direct-investment/> [accessed May 25, 2025].
4. *Direct Investment, directional principle, direct investment in Slovenia - mio EUR - annually, by countries*, Banka Slovenije. Available https://px.bsi.si/pxweb/en/serije_ang/serije_ang_30_EOT_50_NEPOSREDNE_NALOZBE/mn_s_2b_e.px/table/tableViewLayout2/?rxid=c65c6ebb-cdb3-47e6-ae9e-43e8dab50d93 [accessed May 25, 2025].
5. *Direct investments statistics*. Lietuvos Banka. Available https://www.lb.lt/en/direct-investments-statistics?ff=1&date_interval%5Bfrom%5D=2016&date_interval%5Bto%5D=2023&DAZN=A&TUI_COUNT_AREA%5B%5D=KR&TUI_PRIEM_TURT%5B%5D=F [accessed May 25, 2025].
6. *GDP (current US\$) | Data*, World Bank Group. Available <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD> [accessed May 25, 2025].
7. *Population, total | Data*, World Bank Group. Available <https://data.worldbank.org/indicator/SP.POP.TOTL> [accessed May 25, 2025].
8. *Product market regulation*, OECD. Available <https://www.oecd.org/en/topics/product-market-regulation.html> [accessed May 25, 2025].
9. Enache, C. (2023, December 12). *Corporate Tax Rates around the World, 2023*. Tax Foundation. Available <https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2023/> [accessed May 25, 2025].

Bank (ECB) on May 23rd, 2025. It is important to note that due to ongoing global geopolitical issues, currency exchange rates are subject to rapid daily fluctuations. Therefore, readers accessing this information at a later date should be aware that the EUR values presented here may not reflect the prevailing exchange rates at the time of reading and potential discrepancies may exist.

Table 3.3

South Korean FDI stock in selected EU countries (mil. EUR) (2022-2023)¹²¹

	2020	2021	2022	2023
Latvia	23.00	8.00	6.00	9.00
Estonia	1.60	1.10	0.80	1.00
Lithuania	0.26	1.59	4.01	4.61
Slovakia	3,204.49	3,568.19	4,124.77	3,167.45
Slovenia	4.10	2.10	6.40	13.40

Source: Table 3.2 focus on KR FDI stock

Table 3.3 [‘South Korean FDI stock in selected EU countries (mil. EUR) (2022-2023)’] provides a detailed overview of the South Korean Foreign Direct Investment stock in the five selected EU member states from 2020 to 2023.

Even though Slovakia was chosen as a sample country, its consistent position as a dominant recipient of South Korean FDI is likely influenced by its location within the V4 countries, a region that collectively stands out in attracting significant South Korean investment (see in Table 2.1), with stock values ranging from 3,167.45 million EUR to 4,124.77 million EUR over the period, far exceeding the FDI levels in all other sampled countries. In contrast, Latvia, Estonia, Lithuania, and Slovenia exhibit considerably lower volumes of South Korean FDI, typically remaining in the single or low double-digit millions of Euros. This substantial heterogeneity in FDI attraction, particularly the outlying position of Slovakia, underscores the diverse investment landscapes even among countries with similar EU membership status.

While the overall FDI levels are significantly lower for Latvia, Estonia, Lithuania, and Slovenia, some individual trends within this group are discernible. Latvia experienced an initial decline in FDI stock from 23.00 million EUR in 2020 to 6.00 million EUR in 2022, before showing a slight rebound to 9.00 million EUR in 2023. Lithuania demonstrated a consistent, gradual increase in its South Korean FDI stock over the period, rising from 0.26 million EUR in 2020 to 4.61 million EUR by 2023. Similarly, Slovenia saw a more pronounced upward trend, particularly with a rise to 13.40 million EUR in 2023 from its

¹²¹ Table 3.2

initial 4.10 million EUR. In contrast, Estonia's FDI stock from South Korea remained consistently low and relatively stable throughout the four-year period.

Table 3.4

Descriptive Statistics of Key Economic Variables for Selected EU Accession Countries (N=5)

	KR FDI stock (mil. EUR)	GDP (mil. EUR)	Population (mil.)	PMR	Corporate Tax Rate (%)
Mean	707.5935	51,440.23	2.721	1.09	19
Standard Error	324.58244	5,641.718907	0.3306133853	0.04335896678	0.4812265032
Median	5.305	45,018.45	2.11	1.14	20
Mode	N/A	N/A	1.88	1.15	20
Standard Deviation	1,451.5768	25,230.53397	1.478548008	0.1939071943	2.152110347
Sample Variance	2,107,075.208	636,579,844.5	2.186104211	0.0376	4.631578947
Kurtosis	1.060419355	0.03709256973	0.03302673495	-0.8129500949	0.1516366877
Skewness	1.686792631	1.024831009	1.211515929	-0.09933060154	-1.26725506
Range	4,124.51	83,820.8	4.13	0.57	6
Minimum	0.26	24,556	1.33	0.8	15
Maximum	4,124.77	108,376.8	5.46	1.37	21
Sum	14,151.87	1,028,804.6	54.42	21.8	380
Count	20	20	20	20	20

Source: Description statistics results calculated by Author using Microsoft Excel

Table 3.4 ['Descriptive Statistics of Key Economic Variables for Selected EU Accession Countries (N=5)'] presents the descriptive statistics for the 20 observations (5 countries over 4 years) of key economic and regulatory variables. Notably, South Korean FDI stock exhibits extreme positive skewness and a vast range (0.26 to 4124.77 mil. EUR), with its mean (707.59 mil. EUR) significantly higher than its median (5.305 mil. EUR), indicating a distribution heavily influenced by a few exceptionally large investments. Similarly, GDP (mean 51,440.23 mil. EUR) and Population (mean 2.721 mil.) show considerable heterogeneity across the sample, reflecting the diverse economic scales and sizes of the selected EU member states. In contrast, Product Market Regulation (PMR) and Corporate Tax Rate (%) display much narrower ranges and lower standard deviations, suggesting a more homogenous regulatory and tax environment among these countries, which is broadly consistent with their shared EU membership. These initial observations underscore the distinct distributions of FDI and economic size, which will be crucial for interpreting subsequent correlation and regression analyses.

Pearson Correlation Matrix of Key Economic Variables (N=5)

	KR FDI stock (mil. EUR)	GDP (mil. EUR)	Population (mil.)	PMR	Corporate Tax Rate (%)
KR FDI stock (mil. EUR)	1				
GDP (mil. EUR)	0.8701241481	1			
Population (mil.)	0.9370268869	0.9470711598	1		
PMR	0.7367081128	0.7177040192	0.7858542101	1	
Corporate Tax Rate (%)	0.474068995	0.1162918925	0.186906703	0.368273774	1

Source: Pearson Correlation Matrix results calculated by Author using Microsoft Excel

Table 3.5 [‘Pearson Correlation Matrix of Key Economic Variables (N=5)’] presents the Pearson correlation coefficients among the key economic and regulatory variables included in this study, based on 20 observations. This matrix reveals the strength and direction of the linear relationships among the variables, showing that South Korean FDI stock is strongly positively correlated with GDP ($r = 0.870$) and Population ($r = 0.937$), suggesting that larger economies and populations attract more investment. Interestingly, a strong positive correlation is also observed between FDI stock and Product Market Regulation (PMR) ($r = 0.737$), and a moderate positive correlation with Corporate Tax Rate ($r = 0.474$), which are somewhat counter-intuitive relationships often expected to be inverse. More critically for the regression analysis, the matrix indicates a significant multicollinearity concern, particularly due to the extremely strong positive correlation between GDP and Population ($r = 0.947$). Additionally, PMR exhibits strong positive correlations with both GDP ($r = 0.717$) and Population ($r = 0.785$), further exacerbating the potential for multicollinearity, which may impact the reliability and interpretation of individual coefficient estimates in the regression model.

Equation 3.1: Estimated Regression Model for South Korean FDI Stock

- $$\widehat{KR\ FDI\ Stock} = -4,930.14 - 0.000638 \cdot \text{GDP (mil. EUR)} + 1,023.93 \cdot \text{Population (mil.)} - 1,543.39 \cdot \text{PMR} + 240.36 \cdot \text{Corporate Tax Rate (\%)}$$

This equation represents the estimated multiple linear regression model used to analyze the drivers of South Korean FDI stock. It specifies how economic and regulatory factors such as Gross Domestic Product (GDP), Population, Product Market Regulation (PMR), and Corporate Tax Rate are hypothesized to influence the South Korean Foreign Direct Investment (FDI) stock. It is important to note that the EU Accession Year was excluded from this model, as its constant value across all observations rendered it unsuitable for inclusion as a statistical predictor.

Table 3.6

Results of Multiple Linear Regression on South Korean FDI Stock

Regression Statistics								
Multiple R	0.9923034906							
R Square	0.9846662174							
Adjusted R Square	0.9805772087							
Standard Error	202.29998							
Observations	20							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	4	39,420,549.72	9,855,137.429	240.8080523	2.07E-13			
Residual	15	613,879.2289	40,925.28193					
Total	19	40,034,428.94						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95 %</i>	<i>Upper 95 %</i>	<i>Lower 99.0 %</i>	<i>Upper 99.0 %</i>
Intercept	-4,930.144525	469.5911115	-10.4988029	0.00000002623944638	-5,931.054287	-3,929.234764	-6,313.894704	-3,546.394347
GDP (mil. EUR)	-0.0006384352794	0.00585346797	-0.1090695777	0.9145930327	-0.01311480692	0.01183793637	-0.01788692476	0.0166100542
Population (mil.)	1,023.92725	111.2777684	9.201543712	0.0000001476236056	786.744301	1,261.110199	696.0236161	1,351.830883
PMR	-1,543.385133	416.6229481	-3.704513014	0.002119407915	-2,431.395926	-655.3743398	-2,771.053342	-315.7169245
Corporate Tax Rate (%)	240.355949	23.86462409	10.07164195	0.00000004548571523	189.4897069	291.2221912	170.0337538	310.6781443

Source: Multiple Linear Regression results calculated by Author using Microsoft Excel

Table 3.6 ['Results of Multiple Linear Regression on South Korean FDI Stock'] presents the primary inferential analysis, explaining South Korean FDI stock based on economic and regulatory variables across five EU member states (2020-2023). This regression analysis reveals a highly robust model, with an R-squared of 0.9846 indicating that over 98% of the variation in South Korean FDI stock is explained by the included independent variables, and an exceptionally significant overall model (F-statistic = 240.81, Significance F = 2.07E-13). Individually, Population (p-value = 1.48E-07, coefficient = 1,023.93) and Corporate Tax Rate (p-value = 4.55E-08, coefficient = 240.36) are highly statistically significant, showing positive relationships with FDI, though the positive effect of Corporate Tax Rate is counter-intuitive to conventional theory. Product Market Regulation (PMR) is also statistically significant (p-value = 0.0021, coefficient = -1,543.39), indicating that higher PMR is associated with lower FDI, aligning with theoretical expectations. Conversely, despite its strong positive correlation with FDI, GDP is not statistically significant (p-value = 0.9146) and displays an unexpected negative coefficient, a finding largely attributable to significant multicollinearity with Population ($r=0.947$ in correlation matrix). This model establishes the general economic and regulatory drivers of South Korean FDI before assessing any specific impact of Latvia.

Equation 3.2: Estimated Regression Model for South Korean FDI Stock (with Latvia Dummy variable)

- $\widehat{KR\ FDI\ Stock} = -4,935.49 - 0.000748 \cdot GDP\ (\text{mil. EUR}) + 1,024.25 \cdot Population\ (\text{mil.}) - 1,543.34 \cdot PMR + 240.37 \cdot Corporate\ Tax\ Rate\ (\%) - 5.19 \cdot Latvia\ Dummy$

The Latvia Dummy variable was specifically included to allow for the direct empirical testing of the hypothesis (in regression model). This binary variable takes a value of 1 for observations pertaining to Latvia and 0 for its defined peer group, which consists of Estonia, Lithuania, Slovakia, and Slovenia. The inclusion of this variable allows the regression model to directly quantify whether Latvia exhibits a statistically significant unique effect on South Korean FDI stock compared to its peer group, after controlling for other economic and regulatory factors such as GDP, Population, Product Market Regulation (PMR), and Corporate Tax Rate. It is important to note that the EU Accession Year was excluded from this model, as its constant value across all observations rendered it unsuitable for inclusion as a statistical predictor.

Table 3.7

Prepared Dataset for Regression Analysis, including Latvia Dummy Variable (2020-2023)

	Country	KR FDI stock (mil. EUR)	GDP (mil. EUR)	Population (mil.)	PMR	Corporate Tax Rate (%)	Latvian Dummy Variable
2020	Latvia	23.00	25,784	1.9	1.2	20	1
	Estonia	1.60	24,556	1.3	0.8	20	0
	Lithuania	0.26	44,294	2.8	1.0	15	0
	Slovakia	3,204.49	83,131	5.5	1.4	21	0
	Slovenia	4.10	41,219	2.1	1.1	19	0
2021	Latvia	8.00	28,426	1.9	1.2	20	1
	Estonia	1.10	27,664	1.3	0.8	20	0
	Lithuania	1.59	49,964	2.8	1.0	15	0
	Slovakia	3,568.19	89,761	5.5	1.4	21	0
	Slovenia	2.10	45,743	2.1	1.1	19	0
2022	Latvia	6.00	31,859	1.9	1.2	20	1
	Estonia	0.80	32,144	1.4	0.8	20	0
	Lithuania	4.01	59,438	2.8	1.0	15	0
	Slovakia	4,124.77	96,996	5.4	1.4	21	0
	Slovenia	6.40	50,118	2.1	1.1	19	0
2023	Latvia	9.00	34,361	1.9	1.2	20	1
	Estonia	1.00	33,634	1.4	0.8	20	0
	Lithuania	4.61	65,050	2.9	1.0	15	0
	Slovakia	3,167.45	108,377	5.4	1.4	21	0
	Slovenia	13.40	56,290	2.1	1.1	19	0

Source: Table 3.2 with Latvia Dummy variable

The data utilized for this regression analysis spans from 2020 to 2023 and is illustrated in Table 3.7, which provides a comprehensive overview of the variables for each country in the sample. For the purpose of testing the hypothesis, a dummy variable for Latvia was created, coded as '1' for Latvia and '0' for all other observed countries.

Table 3.8

Results of Multiple Linear Regression on South Korean FDI Stock (with Latvia Dummy variable)

<i>Regression Statistics</i>								
Multiple R	0.9923038731							
R Square	0.9846669765							
Adjusted R Square	0.9791908966							
Standard Error	209.3951904							
Observations	20							
ANOVA								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	5	39,420,580.1	7,884,116.021	179.8123853	3.4765E-12			
Residual	14	613,848.8408	43,846.34577					
Total	19	40,034,428.94						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95 %</i>	<i>Upper 95 %</i>	<i>Lower 99.0 %</i>	<i>Upper 99.0 %</i>
Intercept	-4,935.490996	526.7823297	-9.369127849	0.000000208 0961776	-6,065.32672 4	-3,805.65526 7	-6,503.6391 47	-3,367.342 845
GDP (mil. EUR)	-0.000748317 8568	0.0073573252 62	-0.101710585	0.920428783 9	-0.016528211 14	0.015031575 42	-0.0226499 1811	0.0211532 824
Population (mil.)	1,024.246544	115.8173826	8.843634011	0.000000418 4022931	775.8429632	1,272.650124	679.476409 8	1,369.0166 77
PMR	-1,533.339522	575.8219808	-2.662870772	0.018556684 92	-2,768.35484 1	-298.3242032	-3,247.4710 02	180.79195 75
Corporate Tax Rate (%)	240.3674722	24.70549914	9.7293105	0.000000131 0886552	187.3794465	293.3554979	166.823086 6	313.91185 78
Latvia Dummy	-5.192995478	197.257328	-0.026325995 24	0.979368898 7	-428.2678866	417.8818957	-592.39703 91	582.01104 81

Source: Multiple Linear Regression with Latvia Dummy variable results calculated by Author using Microsoft Excel

Table 3.8 [‘Results of Multiple Linear Regression on South Korean FDI Stock (with Latvia Dummy variable)’] provides key insights into the drivers of South Korean FDI stock, especially concerning Latvia's comparative performance. This model, incorporating the Latvia Dummy variable, represents the final regression analysis. The model continues to exhibit a very strong overall fit, with an R-squared of 0.9846, indicating that approximately 98.46 % of the variation in South Korean FDI stock is explained by the independent variables, including the Latvia dummy. The overall model remains highly statistically significant, evidenced by an F-statistic of 179.81 and an extremely low Significance F (p-value) of 3.4765E-12. Regarding individual coefficients, Population (p-value = 4.18E-07, coefficient = 1,024.25) and Corporate

Tax Rate (p-value = 1.31E-07, coefficient = 240.37) remain highly statistically significant with positive relationships to FDI, though the positive effect of Corporate Tax Rate is counter-intuitive to conventional theory. Product Market Regulation (PMR) is also statistically significant (p-value = 0.0186, coefficient = -1,533.34) with an expected negative relationship (lower PMR associated with higher FDI). The GDP coefficient, however, remains statistically insignificant (p-value = 0.9204, coefficient = -0.00075), continuing to suggest the presence of multicollinearity with Population. The coefficient for the Latvia Dummy variable is -5.19 million EUR, but its associated p-value is 0.9794. This high p-value indicates that there is no statistically significant additional difference in South Korean FDI stock for Latvia compared to the other observed EU member states in the sample, after controlling for GDP, Population, Product Market Regulation, and Corporate Tax Rate.

Table 3.9

Actual vs. Predicted South Korean FDI Stock in Latvia (2020-2023)

Year	Actual KR FDI Stock (mil. EUR)	Predicted KR FDI Stock (mil.)
2020	23.00	12.27
2021	8.00	12.48
2022	6.00	12.48
2023	9.00	12.66

Source: calculated by Author using Microsoft Excel

Table 3.9 [‘Actual vs. Predicted South Korean FDI Stock in Latvia (2020-2023)’] provides a specific comparison of the model's predictive performance for Latvia, the focal country of this study. As observed, the predicted values derived from the multiple linear regression model show varying degrees of alignment with the actual recorded South Korean FDI stock in Latvia over the analyzed period. Specifically, the model appears to underpredict the actual FDI stock in 2020 but subsequently overpredicts the FDI stock for the years 2021, 2022, and 2023. These discrepancies highlight that while the model captures certain general trends and relationships across the peer group, there may be unmeasured country-specific factors or unique temporal dynamics in Latvia that influence South Korean FDI beyond the scope of the included independent variables.

Summary:

The quantitative analysis indicates that while the regression model provides a very high explanation of South Korean FDI stock variation across the selected EU countries, it did not find statistically significant evidence to support the hypothesis that Latvia experiences a unique, disproportionate effect on South Korean FDI beyond what is explained by its

economic and regulatory characteristics. The comparison of actual versus predicted FDI values for Latvia further illustrates that the model's explanatory power for this specific case is nuanced, highlighting the presence of unmeasured country-specific factors or unique temporal dynamics in Latvia that influence South Korean FDI beyond the scope of the included independent variables.

Based on the quantitative analysis, the author fails to reject the null hypothesis (H0). This indicates that there is no statistically significant evidence to support the alternative hypothesis (H1) that Latvia's membership in the European Union has resulted in a disproportionate increase in South Korean foreign direct investment compared to other EU member states with similar market characteristics, after controlling for key economic and regulatory factors.

CONCLUSION

The research undertaken in this thesis, "Economic Relations between South Korea and the European Union: A Focus on Latvia's Role and Potential," provides a comprehensive analysis of the multifaceted economic ties between these entities, with a particular emphasis on understanding Latvia's position and opportunities within this framework. The key conclusions derived from this study are as follows:

1. The EU-South Korea Free Trade Agreement (FTA) has served as a significant catalyst for enhanced bilateral economic activity, leading to a discernible increase in both trade volumes and foreign direct investment flows between the two regions. This agreement has demonstrably fostered greater market access and economic integration.
2. Several key factors, identified through qualitative analysis of expert interviews, impede the deepening of economic collaboration between Latvia and South Korea. These include the considerable geographical distance, a relative lack of mutual awareness and understanding among businesses, discrepancies in regulatory and certification standards, differences in cultural and business practices, Latvia's perceived geopolitical risk stemming from its regional context, an imbalance in bilateral investment flows favoring South Korea, and the absence of consistent direct transportation links.
3. The quantitative analysis conducted to test the hypothesis regarding South Korean foreign direct investment in Latvia did not yield statistically significant results to support the notion of a disproportionately equivalent increase compared to a carefully selected peer group of EU member states (Estonia, Lithuania, Slovakia, and Slovenia) during the period of 2020-2023, after controlling for key economic and regulatory variables.
4. The level of South Korean FDI attracted by Latvia within the analyzed peer group appears to be primarily attributable to its general economic and regulatory characteristics rather than a unique advantage solely conferred by its membership in the European Union.
5. The observed discrepancies between the actual and predicted South Korean FDI figures for Latvia suggest the potential influence of country-specific factors beyond the scope of the quantitative model, indicating that qualitative nuances and individual country-level strategies play a significant role in attracting foreign investment.

6. While Latvia benefits from the broader EU-South Korea trade framework facilitated by the FTA, realizing its full economic potential with South Korea necessitates targeted strategies to address the bilateral barriers identified through the interview process. This includes proactive efforts to enhance mutual awareness, navigate regulatory complexities, foster cultural understanding, and potentially improve connectivity.
7. The broader dynamics of EU-South Korea economic relations, such as the trade imbalance and the role of intermediary investment hubs, highlight the complex factors influencing bilateral engagements at the member state level and underscore the need for Latvia to develop specific value propositions to attract South Korean interest.

In conclusion, while the EU-South Korea FTA provides a foundation for economic cooperation, Latvia must proactively overcome specific bilateral challenges, as highlighted by expert insights, to strengthen its economic ties with South Korea. This requires a multifaceted approach that leverages its EU membership while simultaneously addressing the unique factors hindering a more robust and mutually beneficial economic partnership. Future efforts should focus on targeted promotional activities, facilitation of regulatory compliance, fostering cultural exchange, and exploring opportunities for enhanced connectivity and collaboration in high-potential sectors.

RECOMMENDATION

Based on the comprehensive analysis of economic relations between South Korea and the European Union, with a particular focus on Latvia, this thesis identifies several key areas for strategic intervention. The following recommendations are designed to address the identified barriers and leverage existing opportunities, fostering a more robust and mutually beneficial economic partnership between Latvia and South Korea. Each recommendation specifies the responsible actor(s), the proposed action, and the anticipated outcome.

1. Enhancing Mutual Awareness and Information Exchange

- Responsible actor(s): Investment and Development Agency of Latvia (LIAA) Seoul Office, Latvian Embassy in South Korea, South Korean Embassy in Latvia, Chambers of Commerce (both sides).
- Action: Systematically increase the frequency and scale of targeted promotional events, business forums, and cultural exchange programs (e.g., expanding "Latvia Days" to multiple South Korean cities annually; organizing "Korea Business Weeks" in Latvia). Develop and widely disseminate tailored information packages (digital and print) highlighting specific market opportunities, investment incentives, and success stories in both countries.
- Result: To significantly bridge the knowledge gap and overcome the "lack of mutual awareness" and "country recognition" identified in the qualitative analysis, thereby increasing direct engagement and fostering a more informed business environment for potential trade and investment.

2. Facilitating Trade and Investment Flows

- Responsible actor(s): Latvian Ministry of Economics, LIAA, South Korean trade promotion agencies (e.g., KOTRA).
- Action: Organize focused trade missions and B2B matchmaking events specifically targeting high-potential sectors identified for synergy (e.g., IT, green technologies, smart manufacturing, specialized food products with long shelf lives).
- Result: To generate concrete trade deals and investment partnerships by directly connecting relevant businesses and addressing the "asymmetry in bilateral investment flows" through active facilitation.

3. Addressing Regulatory and Cultural Disparities

- Responsible actor(s): Latvian Ministry of Economics, South Korean Ministry of Trade, Industry and Energy, relevant regulatory bodies.
- Action: Establish a dedicated bilateral working group to address and streamline "divergent regulatory landscapes and certification requirements" (e.g., KC mark for Korean market, specific EU standards for Latvian market). This group should focus on information exchange, mutual recognition possibilities, and providing clear guidance to businesses.
- Result: To reduce the "cost, time, and complexity" for businesses attempting to enter each other's markets, thereby removing a significant non-tariff barrier to trade and investment.

4. Improving Connectivity and Logistics

- Responsible actor(s): Latvian Ministry of Transport, Riga International Airport, South Korean airlines, relevant logistics companies.
- Actively explore and negotiate the potential resumption of direct charter flights between Riga and major South Korean cities (e.g., Incheon, Busan) as an initial phase, with a long-term goal of establishing regular scheduled air service.
- Result: To significantly reduce "geographical distance" as a barrier, invigorating "people-to-people exchanges," facilitating business travel, and improving the efficiency of high-value goods transport, thereby enhancing overall bilateral engagement.

LITERATURE AND SOURCES

1. The Baltic Times. (2023, Oct 30). More than 30,000 people attend Latvian Days in South Korea.
https://www.baltictimes.com/more_than_30_000_people_attend_latvian_days_in_south_korea/
2. Banka Slovenije. (n.d.). *Direct Investment, directional principle, direct investment in Slovenia - mio EUR - annually, by countries*. Retrieved May 25, 2025, from https://px.bsi.si/pxweb/en/serije_ang/serije_ang__30_EOT__50_NEPOSREDNE_NALOZBE/nn_s_2be.px/?rxid=c65c6ebb-cdb3-47e6-ae9e-43e8dab50d93
3. Bennett, R. (1996). *International Business*. Pitman.
4. Bertucci, G., & Alberti, A. (2003). Globalization and the Role of the State: Challenges and Perspectives. 2.
https://www.academia.edu/2087689/Globalization_and_the_Role_of_the_State_Challenges_and_Perspectives
5. Binda, V., & Colli, A. (2024). *Globalization: A Key Idea for Business and Society*. Taylor & Francis.
6. Broul, D., & Nenutil, A. (2025, Feb 11). Has South Korea found its firm foothold in Central Europe?
<https://ceias.eu/has-south-korea-found-its-firm-foothold-in-central-europe/>
7. Cartwright, R. (2004). *Mastering the Globalization of Business*. Macmillan Education UK.
8. Cooper, W. H. (2011). *Free Trade Agreements: Impact on U. S. Trade and Implications for U. S. Trade Policy*. DIANE Publishing Company.
9. Daniels, J. D., Radebaugh, L. H., & Sullivan, D. P. (2017). *International Business: Environments & Operations*. Pearson.
10. EEAS. (n.d.). *ASSESSING RESULTS OF THE EU-KOREA FREE TRADE AGREEMENT*. Retrieved May 25, 2025, from https://www.eeas.europa.eu/node/34954_en
11. EEAS. (n.d.). *2023 EU - KOREA TRADE AND INVESTMENT RELATIONS*. Retrieved May 25, 2025, from https://www.eeas.europa.eu/delegations/south-korea/2023-eu-korea-trade-and-investment-relations_en

12. Eesti Pank. (n.d.). *Direct investment position in Estonia and abroad by country (EUR million)*. Tarbimislaenude kulukuse määr. Retrieved May 25, 2025, from <https://statistika.eestipank.ee/#/en/p/146/r/4593/4342>
13. Embassy of the Republic of Korea in the Republic of Latvia. (n.d.). *공관약사 (History of Embassy)*. Retrieved May 25, 2025, from https://overseas.mofa.go.kr/lv-ko/wpge/m_21748/contents.do
14. Embassy of the Republic of Korea to the Kingdom of Belgium and the European Union and Permanent Mission to the North Atlantic Treaty Organization. (2025, May 3). *Korea - EU Political Relations*. Retrieved 5 25, 2025, from https://overseas.mofa.go.kr/be-en/wpge/m_7448/contents.do#
15. Enache, C. (2023, December 12). *Corporate Tax Rates around the World, 2023*. Tax Foundation. Retrieved May 25, 2025, from <https://taxfoundation.org/data/all/global/corporate-tax-rates-by-country-2023/>
16. European Commission. (n.d.). *Digital trade - European Commission*. EU Trade. Retrieved May 25, 2025, from https://policy.trade.ec.europa.eu/help-exporters-and-importers/accessing-markets/goods-and-services/digital-trade_en
17. European Commission. (n.d.). *EU position in world trade*. Retrieved May 25, 2025, from https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/eu-position-world-trade_en
18. European Commission. (n.d.). *EU-South Korea Free Trade Agreement | Access2Markets*. European Commission's trade. Retrieved May 25, 2025, from <https://trade.ec.europa.eu/access-to-markets/en/content/eu-south-korea-free-trade-agreement>
19. European Commission. (n.d.). *EU-South Korea Free Trade Agreement and Digital Trade Agreement*. Retrieved May 25, 2025, from https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea/eu-south-korea-agreements_en
20. European Commission. (n.d.). *EU trade relations with South Korea*. EU Trade. Retrieved May 25, 2025, from https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/south-korea_en
21. European Commission. (n.d.). *labour migration - European Commission*. Migration and Home Affairs. Retrieved May 25, 2025, from

- https://home-affairs.ec.europa.eu/networks/european-migration-network-emn/emn-asylum-and-migration-glossary/glossary/labour-migration_en
22. European Commission. (n.d.). *What is technology transfer? | Knowledge for policy*. Retrieved May 25, 2025, from https://knowledge4policy.ec.europa.eu/technology-transfer/what-technology-transfer_en
 23. European Commission. (2023, Oct 31). *Joint Statement on the launch of negotiations for an EU-Korea digital trade agreement*. Retrieved May 25, 2025, from https://policy.trade.ec.europa.eu/news/joint-statement-launch-negotiations-eu-korea-digital-trade-agreement-2023-10-31_en
 24. European Commission. (2025, March 9). *EU and Korea deepen ties with landmark digital trade deal*. EC Europa. Retrieved May 25, 2025, from https://ec.europa.eu/commission/presscorner/detail/en/ip_25_732
 25. European Council Council of the European Union. (2001, April 1). *Framework Agreement for Trade and Cooperation between the European Community and its Member States, on the one hand, and the Republic of Korea, on the other hand*. Retrieved May 25, 2025, from <https://www.consilium.europa.eu/en/documents/treaties-agreements/agreement/?id=1996016>
 26. Flint, C. (2021). *Introduction to Geopolitics*. Taylor & Francis.
 27. Gandolfo, G. (2013). *International Trade Theory and Policy*. Springer Berlin Heidelberg.
 28. Gilpin, R., & Gilpin, J. M. (2001). *Global Political Economy: Understanding the International Economic Order*. Princeton University Press.
 29. Griffin, R. W., & Pustay, M. W. (2013). *International Business*. Pearson.
 30. Harvey, D. (2007). *A Brief History of Neoliberalism*. OUP Oxford.
 31. Harvey, J., & Johnson, M. (1971). *Introduction to Macro-economics*. Macmillan.
 32. International Labour Organization. (n.d.). *Labour migration*. Retrieved May 25, 2025, from <https://www.ilo.org/topics-and-sectors/labour-migration>
 33. Investment and Development Agency of Latvia. (2020, Feb 12). *Industries*. Retrieved May 25, 2025, from <https://www.liaa.gov.lv/en/trade/industries>
 34. Jepma, C. J., Jager, H., & Kamphuis, E. (1996). *Introduction to International Economics*. Longman.
 35. Johnson, D., & Turner, C. (2003). *International Business: Themes and Issues in the Modern Global Economy*. Routledge.

36. Korean Statistical Information Service. (n.d.). *IIP for Nations*. KOSIS. Retrieved May 25, 2025, from https://kosis.kr/statHtml/statHtml.do?orgId=301&tblId=DT_311Y002&conn_path=I2&language=en
37. KOTRA. (2021, Mar 30). *S. Korea's exports of medical products to EU jump amid pandemic*. Retrieved May 25, 2025, from https://www.investkorea.org/ik-en/bbs/i-465/detail.do?ntt_sn=491268
38. Krugman, P. R., & Obstfeld, M. (2003). *International economics : theory and policy*. Addison Wesley.
39. Kwame Agbanyo, G., & Wang, Y. (n.d.). Understanding Cross-Cultural Differences in Conceptualizing International Trade Patterns: A Neuroeconomic Perspective. 10.3389/fnins.2022.916084
40. Latvijas Banka. (n.d.). *Direct investment direction - Direct investment abroad*. Retrieved May 25, 2025, from <https://statdb.bank.lv/lb/Data/129/dab808f0e036d2418cdefa45b5133ae2-html>
41. Latvijas Banka. (n.d.). *Direct investment direction - Direct investment in Latvia*. Retrieved May 25, 2025, from <https://statdb.bank.lv/lb/Data/128/afc4cb1db15d98b0ade6264d57181a1d-html>
42. Latvijas Vestnesis. (1996, Dec 24). *AGREEMENT between the Government of the Republic of Latvia and the Government of the Republic of Korea for the Promotion and eciprocal Protection of Investments*. Retrieved May 25, 2025, from <https://likumi.lv/legislation/en/en/treaties/id/216-agreement-between-the-government-of-the-republic-of-latvia-and-the-government-of-the-republic-of-korea-for-the-promotion-and-reciprocal>
43. Lee, H., & Rhee, C. (2012, Jan). Lessons from the 1997 and the 2008 Crises in the Republic of Korea. 7(1), 18. Retrieved May 25, 2025, from <https://doi.org/10.1111/j.1748-3131.2012.01215.x>.
44. Leitner, S. (2021, Oct). *LATVIA: Faster recovery than expected, driven by release of pent up demand*. <https://wiiw.ac.at/latvia-faster-recovery-than-expected-driven-by-release-of-pent-up-demand-p-5948.html>
45. LIAA. (n.d.). *Strong startup ecosystem*. Invest in Latvia. Retrieved May 25, 2025, from <https://investinlatvia.org/en/why-latvia/reason/strong-startup-ecosystem>
46. Lietuvos Bankas. (n.d.). *Direct investments statistics*. Retrieved May 25, 2025, from https://www.lb.lt/en/direct-investments-statistics?ff=1&date_interval%5Bfrom%5D=2

- 016&date_interval%5Bto%5D=2023&DAZN=A&TUI_COUNT_AREA%5B%5D=KR&TUI_PRIEM_TURT%5B%5D=F
47. Mangan, J., Lalwani, C., & Butcher, T. (2008). *Global Logistics and Supply Chain Management*. Wiley.
 48. Ministry of Economy and Finance. (2011, Oct 19). *Korea, Japan to Expand Currency Swap to US\$70 million (October 19, 2011)*. Retrieved May 25, 2025, from <https://english.moef.go.kr/pc/selectTbPressCenterDtl.do%3Bjsessionid=wjryJtxyk6sn1ciAoT+Rqryb.node20?boardCd=N0001&seq=2770>
 49. Ministry of Foreign Affairs. (n.d.). 국가/지역 검색 국가정보(라트비아공화국) [*Country/Region Search Country Information (Republic of Latvia)*]. 외교부. Retrieved May 25, 2025, from [https://www.mofa.go.kr/www/nation/m_3458/view.do?seq=83&titleNm=국가정보\(라트비아공화국\)](https://www.mofa.go.kr/www/nation/m_3458/view.do?seq=83&titleNm=국가정보(라트비아공화국))
 50. Ministry of Foreign Affairs, Republic of Korea. (n.d.). Europe. Retrieved May 25, 2025, from https://www.mofa.go.kr/eng/wpge/m_4909/contents.do
 51. Ministry of SMEs and Startups. (2019, Oct 25). 중기부, 라트비아와 ‘스타트업 교류 및 기술협력 합의’ (*The Ministry of SMEs and Startups (MSS) and Latvia Agree on Startup Exchange and Technology Cooperation*). Retrieved May 25, 2025, from <https://www.mss.go.kr/site/smba/ex/bbs/View.do?cbIdx=86&bcIdx=1015062&parentSeq=1015062>
 52. Mutsau, S. (2017). *Revisiting Bilateral Investment Treaties in the 21st Century. A Kenyan and South African Experience*. Anchor Academic Publishing.
 53. National Bank of Slovakia. (n.d.). *Foreign Direct Investment*. Retrieved May 25, 2025, from <https://nbs.sk/en/statistics/balance-of-payments-statistics/foreign-direct-investment/>
 54. National Geographic. (n.d.). *International Organization*. National Geographic Education. Retrieved May 25, 2025, from <https://education.nationalgeographic.org/resource/international-organization/>
 55. National Statistical System of Latvia. (n.d.). *Mother tongue and language used at home by region in 2022 (per cent of the population in the relevant group)-Oficiālās statistikas portāls*. Datubāze. Retrieved May 25, 2025, from https://data.stat.gov.lv/pxweb/en/OSP_OD/OSP_OD__apsekojumi__pieaug_izgl/PIA77.px/

56. National Statistical System of Latvia. (n.d.). *Population, population change and natural increase by ethnicity 1980 - 2024*. Datubāze. Retrieved May 25, 2025, from https://data.stat.gov.lv/pxweb/en/OSP_PUB/START__POP__IR__IRE/IRE020/
57. O'Brien, R., & Williams, M. (2016). *Global Political Economy: Evolution and Dynamics*. Macmillan Education UK.
58. OEC. (n.d.). *Latvia (LVA) Exports, Imports, and Trade Partners | The Observatory of Economic Complexity*. OEC World. Retrieved May 25, 2025, from <https://oec.world/en/profile/country/lva>
59. OEC. (n.d.). *South Korea (KOR) Exports, Imports, and Trade Partners | The Observatory of Economic Complexity*. OEC World. Retrieved May 25, 2025, from <https://oec.world/en/profile/country/kor>
60. OECD. (n.d.). *Korean Focus Areas: A global powerhouse in science and technology*. Retrieved May 25, 2025, from https://www.oecd.org/en/publications/korean-focus-areas_f91f3b75-en/a-global-power-house-in-science-and-technology_61cbd1ad-en.html
61. OECD. (n.d.). *Official development assistance (ODA)*. OECD. Retrieved May 25, 2025, from <https://www.oecd.org/en/topics/official-development-assistance-oda.html>
62. OECD. (n.d.). *Product market regulation*. OECD. Retrieved May 25, 2025, from <https://www.oecd.org/en/topics/product-market-regulation.html>
63. OECD. (2020, Aug 11). *OECD Economic Surveys: Korea 2020*. Retrieved May 25, 2025, from <https://doi.org/10.1787/2dde9480-en>
64. Ravenhill, J. (2017). *Global Political Economy* (5th ed.). Oxford University Press.
65. Rugman, A. M., Collinson, S., & Narula, R. (2016). *International Business*. Pearson.
66. Salvatore, D. (1998). *International economics*. Prentice Hall International.
67. Schenk, C. R. (2021). *International Economic Relations Since 1945*. Taylor & Francis.
68. Shin, S. Y., & Shin, S. H. (2021, Oct). Analysis of Korean Import and Export in the Semiconductor Industry: A Global Supply Chain Perspective. 25(6), 97-98. 10.35611/jkt.2021.25.6.78
69. Stutz, F. P., & Warf, B. (2012). *The World Economy: Geography, Business, Development*. Prentice Hall.
70. Szkarłat, M., & Mojska, K. (Eds.). (2016). *New Technologies as a Factor of International Relations*. Cambridge Scholars Publishing.
71. Trading Economics. (n.d.). *European Union Exports to South Korea*. Retrieved May 25, 2025, from <https://tradingeconomics.com/european-union/exports/south-korea>

72. Trading Economics. (n.d.). *European Union Imports from South Korea*. Retrieved May 25, 2025, from <https://tradingeconomics.com/european-union/imports/south-korea>
73. Trading Economics. (n.d.). *Latvia Exports to South Korea*. Retrieved May 25, 2025, from <https://tradingeconomics.com/latvia/exports/south-korea>
74. Trading Economics. (n.d.). *South Korea Exports to European Union*. Retrieved May 25, 2025, from <https://tradingeconomics.com/south-korea/exports-to-european-union>
75. Trading Economics. (n.d.). *South Korea Exports to Latvia*. Retrieved May 25, 2025, from <https://tradingeconomics.com/south-korea/exports/latvia>
76. Trading Economics. (n.d.). *South Korea Imports from European Union*. Retrieved May 25, 2025, from <https://tradingeconomics.com/south-korea/imports-from-european-union>
77. Trading Economics. (n.d.). *South Korea Imports from Latvia*. Retrieved May 25, 2025, from <https://tradingeconomics.com/south-korea/imports/latvia>
78. Trading Economics. (n.d.). *Latvia Imports from South Korea*. Retrieved May 25, 2025, from <https://tradingeconomics.com/latvia/imports/south-korea>
79. Tvaronaviciene, M., & Burinskas, A. (2022, June). *Review of studies on FDI: The case of Baltic States*, 15(2), 210-225. 10.14254/2071-8330.2022/15-2/14
80. UN environment programme. (n.d.). *international organization*. Retrieved May 25, 2025, from <https://leap.unep.org/en/knowledge/glossary/international-organization>
81. Valsts prezidenta kanceleja. (2018, Feb 14). The President of Latvia opens the first Latvian-South Korean Business Forum in Seoul. <https://www.president.lv/en/article/president-latvia-opens-first-latvian-south-korean-business-forum-seoul>
82. Vilerts, K., & Mirošņikovs, M. (2023, Feb 16). How has Russia's invasion of Ukraine affected Latvia's economy? Retrieved May 25, 2025, from <https://www.macroconomics.lv/raksti/how-has-russias-invasion-ukraine-affected-latvias-economy>
83. World Bank Group. (n.d.). *GDP (current US\$) | Data*. Retrieved May 25, 2025, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.CD>
84. World Bank Group. (n.d.). *GDP growth (annual %) | Data*. Retrieved May 25, 2025, from <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG>
85. World Bank Group. (n.d.). *GDP per capita (current US\$) | Data*. Retrieved May 25, 2025, from <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

86. World Bank Group. (n.d.). *Population, total* | *Data*. Retrieved May 25, 2025, from <https://data.worldbank.org/indicator/SP.POP.TOTL>
87. World Bank Group. (n.d.). *Remittances - Migration*. World Bank. Retrieved May 25, 2025, from <https://www.worldbank.org/en/topic/migration/brief/remittances-knomad>
88. World Bank Group. (n.d.). *Research and development expenditure (% of GDP)*. Retrieved May 25, 2025, from <https://data.worldbank.org/indicator/GB.XPD.RSDV.GD.ZS>
89. Yang, J. (n.d.). *Learning by Doing: The Impact of a Trade Remedy Case in Korea*. World Trade Organization. Retrieved May 25, 2025, from https://www.wto.org/english/res_e/booksp_e/casestudies_e/case21_e.htm

APPENDICES

APPENDIX A

Transcript from Interview with Myungje Sung

2025 April 28 (GMT+2) 19:00

Online interview Via MS Teams.

Request for consent and disclosure of purpose : Before I start the interview questions, I would like to get your permission to voice record this interview conversation for the purpose of creating a written transcript for my thesis. The voice recording will be deleted as soon as I complete the transcript document. Once I finish the transcript, I will send it to you to confirm and double-check if any edits are needed for the data or answers. If you agree, I will start the Interview.

Interviewer

Good afternoon Mr. Sung, Thank you for agreeing to an interview today. Can you please introduce yourself.

Myungje Sung

Hello, My name is Myungje Sung. I am a former Third Secretary and Vice-Consul (Economic Affairs) at the Embassy of the Republic of Korea to the Republic of Latvia for the period of time 2021.2-2024.8. It's my pleasure to be in the interview regarding Latvia and Korea economy relationships.

Interviewer

Thank you. Today, I have prepared a total of six questions based on three areas: 1. Comprehensive Analysis of Trade and Investment between Latvia and South Korea, 2. Analysis of Key Factors Determining Trade and Investments, and 3. Future Challenges of Development of Economic Relations between Latvia and South Korea.

Q1. How do economic, geographic, and cultural factors influence the current state of Latvia–South Korea trade relations?

Myungje Sung

Honestly, based on my experience working at the Embassy of the Republic of Korea in Latvia for three and a half years, I think Latvia and Korea are in a pretty good spot when it comes to how our economies match up. Korea's strong in tech, cars, and electronics, while Latvia brings a lot to the table with logistics, agriculture, and green sectors. They're different strengths, but that's what makes them fit well together.

Of course, the distance between us is a real hurdle. Shipping stuff halfway across the world isn't cheap or fast.

Culturally, though, I'm really optimistic. Thanks to K-pop, K-dramas, and Korean food, there's a lot more awareness and interest in Korea over in Latvia. Our embassy has hosted a number of Korean cultural events in Latvia, and they have all been successful, with many Latvians attending. And more Koreans are getting curious

about Latvia too — the culture, the nature, the history. That growing connection is going to help businesses follow.

Q2. What are the main barriers limiting trade between Latvia and South Korea?

Myungje Sung

If I had to pick the biggest barriers, I'd say it's three things: distance, lack of information, and different standards. Shipping over long distances obviously adds cost and complexity. But just as importantly, a lot of Korean businesses don't really know much about Latvia — they tend to think of Europe as one big place, but Latvia's unique. Although South Korea and Latvia have made efforts to promote each other's countries, including through the aforementioned cultural events, I believe more sustained and effective efforts are needed.

And then there's the technical stuff — different rules, certifications, and ways of doing business. Even though there's a free trade agreement between Korea and the EU, real-world paperwork and standards can still slow things down.

Interviewer

I recall there being a direct charter flight route (Riga-Incheon) by a South Korean national carrier in 2019. According to media reports, it achieved successful results three times. Was there a reason why it didn't become a regular scheduled service? If this route had been established as a regular service, do you think it could have broken down the barrier of distance?"

Myungje Sung

It's true that the national carrier achieved three successful flights, but it was suspended due to the global COVID-19 pandemic, and I understand that the process of resuming flights is still under review by the airline, it's a long process from airlines to reopen the route by air laws. However, if this route is established as a regular service, I believe that it will greatly help in breaking down barriers by invigorating people-to-people exchanges between the two countries and improving mutual understanding.

Q3. Which sectors hold the greatest potential for economic cooperation between Latvia and South Korea?

Myungje Sung

I think the real goldmine is tech and innovation. Latvia's startup scene is growing fast in cybersecurity, fintech, green tech, drone, etc. And Korea is already a tech powerhouse. Green energy is another big one. Latvia's serious about renewables, and Korea's got the tech to help push that forward. And don't forget logistics — Latvia's in a great spot to help Korean companies move goods into Europe and beyond.

On top of that, I see a lot of room in biotech, healthcare tech, and even education exchange programs. During my time at the embassy, I had been approached by a wide range of Korean and Latvian companies, meaning that more and more companies are showing interest in expanding into each other's markets.

Also, given that the Working Holiday Agreement was signed in 2024, I believe that exchanges between young people in both countries will become more active, and this will also help raise awareness between the two countries.

Interviewer

You mentioned a working holiday agreement. Can you please tell me more about the details?

Myungje Sung

Of course I would love to tell you more. As a person who was in charge of this agreement at the time and finalized it, I can explain it with confidence.

The background of the Working Holiday program itself is to activate youth exchange between both countries, allowing young people aged 18 to 34 from both sides to experience local culture and lifestyles for a maximum of one year while concurrently engaging in short-term employment or language study (up to 100 people a year). The age limits differ by country to countries. However, in the case of Latvia, the age range was set from 18 to 34 through mutual agreement, because the aim was to provide more opportunities to more young people. Through this program, I really hope that national awareness among the youth will increase.

Q4. What role can innovation and technology partnerships play in deepening Latvia–South Korea economic cooperation?

Myungje Sung

Innovation Isn't just an extra — it's the key. If South Korea and Latvia are working together on new ideas, building startups together, or co-developing tech, we're not just buying and selling anymore — we're building long-term value.

Latvia's very flexible, fast-moving innovation scene combined with Korea's strong R&D culture could create really exciting new industries.

Plus, when young entrepreneurs and researchers start working together early, it lays down roots for a much deeper partnership for decades to come.

Q5. How can Latvia leverage its position within the EU to strengthen bilateral trade with South Korea?

Myungje Sung

Latvia's spot in the EU is a huge plus. Korean companies that set up shop in Latvia can reach the entire European market easily and Latvia offers great connections to Scandinavia, Eastern Europe, and even Central Asia.

We've got solid logistics, business-friendly policies, and a talented workforce that speaks multiple languages.

But to really make the most of this, we need to promote Latvia more actively in Korea, show success stories, highlight real opportunities, and make it super clear why Latvia is a smart move for Korean business. Considering this, I think the "Latvia Days in Korea"¹²² The event in 2023 was a really good attempt.

Q6. What specific policy measures could be implemented to enhance economic ties between Latvia and South Korea?

Myungje Sung

I think it starts with making it easier for companies to get reliable information. Maybe setting up joint business centers or trade desks.

As mentioned earlier, Latvia is an EU country, so there are still many regulations that come with it. I think these barriers should be preemptively eased in order to improve trade relations with Korea. Even some Korean companies that contacted me postponed their investment plans after learning about Latvia's regulatory situation.

¹²² Latvian Days in Korea was organized by LIAA in cooperation with the Embassy of Latvia in South Korea.

Therefore, we should also create programs that give tax breaks or grants for companies that partner across borders especially in tech, green energy, and logistics.

And I'd love to see more support for young entrepreneurs. Things like startup exchanges, innovation challenges, or joint R&D grants could bring a lot of energy to the relationship.

At the end of the day, smart, simple policies that bring people together are the fastest way to grow real economic ties.

Interviewer

Could you please tell me more about joint business centers or trade desk ideas?

Myungje Sung

Currently, Latvia's LIAA (Investment and Development Agency of Latvia) has an office open in Seoul, South Korea. However, a South Korean business center or trade office for Latvia is currently being managed by neighboring countries (such as Sweden). If a Korean trade office or business center, such as KOTRA (Korea Trade-Investment Promotion Agency), is established in Latvia in the future, I believe it could have an even more positive impact on the economic ties between our two countries.

Interviewer

Thank you so much for your time, I really appreciate your valuable answers and wish you the best luck in the upcoming countries. and thank you for working for the Korean government. I will conclude the recording at this point.

Myungje Sung

it's my pleasure, I would love to visit Latvia again soon. If you have any more questions feel free to write me an email.

[disconnected]

Transcript from Interview with Mārtiņš Baumanis

2025 April 30 (GMT+2) 10:00

Online interview Via Zoom.

Request for consent and disclosure of purpose : Before I start the interview questions, I would like to get your permission to voice record this interview conversation for the purpose of creating a written transcript for my thesis. The voice recording will be deleted as soon as I complete the transcript document. Once I finish the transcript, I will send it to you to confirm and double-check if any edits are needed for the data or answers. If you agree, I will start the Interview.

Interviewer

Good afternoon Mr. Baumanis, Thank you for agreeing to an interview today. Can you please introduce yourself.

Mārtiņš Baumanis

Hello, my name is Mārtiņš Baumanis. I am the Head of the Representative Office in the Republic of Korea for the Investment and Development Agency of Latvia. I also hold a dual role as the Economic Counselor at the Embassy of Latvia. I have been here for four years.

Interviewer

Thank you. Today, I have prepared a total of six questions based on three areas: 1. Comprehensive Analysis of Trade and Investment between Latvia and South Korea, 2. Analysis of Key Factors Determining Trade and Investments, and 3. Future Challenges of Development of Economic Relations between Latvia and South Korea.

Q1. How do economic, geographic, and cultural factors influence the current state of Latvia–South Korea trade relations?

Mārtiņš Baumanis

Sure. Firstly, geographically, we are far apart. Additionally, the airspace closure obviously plays a role. So, that definitely has an impact. It hasn't stopped trade, but of course, when we consider the movement of people and goods, it does slow things down somewhat. Therefore, it has been quite challenging in that sense. However, even with the pandemic and all the geopolitical challenges, trade has been improving. So, I would say that geography presents a slight challenge, but it is getting better. Of course, as we all know, we are quite far – 7,000 to 8,000 kilometers – so in any case, the distance will always be significant. At the same time, for example, regarding our food exports, our country exports quite a lot of food, but to Korea, we can only export items with a long expiry date. This obviously limits what we can do in terms of food. Also, with other items, if Koreans are accustomed to receiving their goods very quickly, such as through Coupang¹²³ and other channels, then if Latvian companies don't have warehouse stock in Korea, delivery will take time, and that is also a geographical disadvantage. However, if Korean companies have high trust in Latvian products and

¹²³ South Korean e-commerce giant Coupang Inc. is known as the Korean Amazon and was founded in 2010. Coupang has quickly developed to become the largest open market and one of the leading online shopping platforms in South Korea. <https://www.statista.com/topics/8214/coupang-inc-of-south-korea/#editorsPicks>

are passionate about our goods, they can buy in bulk locally, so it could actually work. We have seen that most successful Latvian companies in Korea have Korean partners and utilize warehouses, but again, this is very limited. If there is only superficial interest, it is not easy to get Latvian products in Korea. It doesn't stop it entirely, but it's not like normal mail that arrives the next day, as is common with other Korean products.

Economically, obviously both countries are relatively small compared to our neighbors, so we are dependent on other countries' economies. Consequently, at the moment, we face uncertainty with all the tariffs and related issues. So, I would say that the impacts are being felt overall. However, I see that Latvia is a stable country, so in that sense, perhaps all the global uncertainties could actually be beneficial for us. For example, if US companies are currently facing uncertainty about their direction, we in Latvia have more or less certainty with our companies. Furthermore, the Euro is very stable, so in that sense, we see potential.

Culturally, I've consulted many Latvian companies about Korean counterparts. One of the main differences is that, for example, Korean companies seem unafraid to diversify significantly. They might import one type of product and then engage in a completely unrelated business venture, and this is generally accepted. In Latvia, this kind of diversification can confuse companies. Latvian businesses tend to stick to their core activities, and whether that works or not is another matter. Furthermore, the blending of private and business life is very common in Korea. If you have your business partners' direct contact information such as Kakao-Talk¹²⁴, they might send you pictures of their children or other personal life updates. However, in Latvia, there is a much clearer separation. Business relationships primarily focus on professional matters, while personal life remains distinct. This difference in approach often surprises Latvian companies when they conduct business with Koreans. Language can also lead to misunderstandings in English. You might say one thing, but both parties could interpret it differently, resulting in miscommunications. Based on my experiences over the past four years consulting many companies, I've observed how the nuances of Korean language can sometimes be lost or misinterpreted in English, and vice versa. In any case, a general understanding barrier can exist. I try to emphasize the positive aspects. If initial barriers are overcome, Korean companies can become lifelong partners for Latvian businesses. Once they truly understand each other and develop the relationship, significant growth can occur, often after working together for perhaps two to three years.

Q2. What are the main barriers limiting trade between Latvia and South Korea?

Mārtiņš Baumanis

I touched on some barriers in my previous answers. However, one significant aspect I haven't yet mentioned is the more stringent regulatory requirements. In my opinion, Latvian products are quite unique. While Latvian companies are accustomed to exporting to Europe and possess the necessary certifications like the CE mark¹²⁵ exporting to Korea requires obtaining the KC mark¹²⁶ and other specific certifications.

¹²⁴ Kakao-Talk, the most common messenger app used in Korea

¹²⁵ The letters 'CE' appear on many products traded on the extended Single Market in the European Economic Area (EEA). They signify that products sold in the EEA have been assessed to meet high safety, health, and environmental protection requirements.

https://single-market-economy.ec.europa.eu/single-market/ce-marking_en

¹²⁶ KC Certification (also known as KC Safety Certification or KC Mark Korea Certification) is a product certification that proves the compliance of products with Korean safety regulations.

<https://www.korea-certification.com/en/kc/what-is-kc-certification/>

For instance, Latvian children's products are actually quite popular in Korea, but this sector is heavily regulated, demanding specific Korean certificates. This poses a significant barrier, although the Investment and Development Agency of Latvia offers support through consultations and financial assistance. Nevertheless, these regulatory hurdles are crucial information that companies need to be aware of from the outset.

Of course, the significant time zone difference can also present challenges and act as a barrier. Also differing understandings of general business practices also create obstacles. Culturally, for example, Korean counterparts often request initial shipment discounts or similar incentives, which is not a common practice for Latvian companies. This can lead to confusion and overthinking on the Latvian side regarding the rationale behind such requests. Conversely, Korean companies might perceive a lack of flexibility as a disinterest in collaboration. These kinds of misunderstandings do occur.

Overall, the novelty of Latvian products in the Korean market presents both an opportunity and a barrier. Each product essentially starts from zero in terms of market awareness. Companies need to invest in significant marketing efforts and even explain the geographical location of Latvia. The size and recognition of Latvia as a country also pose a considerable barrier. However, on a positive note, this allows for building a fresh image of Latvia in the Korean market. Unlike countries with strong pre-existing stereotypes, Korea doesn't have significant preconceived notions about Latvia, which can be advantageous in lowering these initial barriers. Given Latvia's current global and export-oriented mindset, I believe we have a good opportunity to shape a positive perception among Koreans. If Korean perceptions of Latvia were rooted in outdated notions, such as from the Soviet Union era, it would be more challenging. However, the relative lack of strong prior emotions or stereotypes towards Latvia is a positive factor in potentially mitigating these barriers.

Q3. Which sectors hold the greatest potential for economic cooperation between Latvia and South Korea?

Firstly, I would say that any sector is important because the current trade volume is relatively small. Therefore, any sector that we dedicate more than a year of focused effort to will likely yield potential.

I think we've already touched on exports quite a bit. Nowadays, regulations in Korea regarding "farm huts" (wooden houses) have changed. It's now possible to build larger, tax-exempt houses in the countryside suitable for living, which is encouraging people to move there. This has created a significant market for the kind of small wooden houses that Latvia has expertise in. Therefore, any sector involving wood with added value has considerable potential, as Koreans already recognize the good quality of Latvian wood, making export development easier.

Regarding investments, in my opinion, energy is a major area. I've received significant interest from Korean energy companies about expanding into Europe. This is definitely a sector where we can see substantial potential and interest. This sector is particularly promising because Korean companies possess certain green technologies that they may not be able to fully test or utilize in Korea. Europe, on the other hand, will have a significant demand for green energy in the future, particularly countries like Germany. Latvia can serve as a gateway for Korean companies to export these technologies to Europe, potentially involving some level of investment.

Additionally, I've observed that Latvian software has gained notable recognition in Korea, which is quite interesting. For example, the drone light shows run by Korean municipalities actually utilize software from a Latvian company, with a Korean

language version available. These kinds of examples demonstrate to Koreans that they can trust Latvian capabilities in software and establish reliable partnerships. Therefore, services and software, particularly in the Information and Communication Technology (ICT) sector, hold significant promise. Furthermore, due to the current geopolitical challenges, there will inevitably be increased cooperation with Korea in the defense sector. This will likely occur naturally, and Latvia can again serve as a testing ground and entry point to Europe, a role we actively try to leverage, given Korea's strong competencies in this area. So, energy, ICT, and dual-use technologies appear to be particularly promising sectors.

Regarding food business, we recently held our dairy expo. In June, we anticipate around six leading Latvian manufacturers to participate. Once we penetrate the broader Korean domestic market, I believe there's a significant population in Korea that would enjoy Latvian cheese, yogurt, ice cream, and similar products.

Q4. What role can innovation and technology partnerships play in deepening Latvia–South Korea economic cooperation?

With Korea now becoming an associated member of the Horizon Europe program, which has a budget of around 95 billion euros, Korean companies, organizations, and institutions will be strongly encouraged to collaborate. We are actively trying to foster these partnerships in technology, and I believe this presents a significant opportunity. Firstly, our countries share similar values and are stable democracies. As the global landscape becomes increasingly uncertain, the pool of like-minded nations is naturally drawn closer together. At this moment, I feel that shared interests and a commitment to the rule of law and democracy are strong unifying factors, especially in technology, where trust is essential for successful collaboration. Innovation is inherently an evolving and often unpredictable process. It requires a significant exchange of data, personnel, and various resources. Therefore, I see technology partnerships as the next crucial step. While these ventures can be high-risk, they also offer the potential for high returns. As long as there is mutual trust and a strong drive, these partnerships will undoubtedly flourish.

Q5. How can Latvia leverage its position within the EU to strengthen bilateral trade with South Korea?

Certainly. It's no secret that politically, Eastern and Northern Europe are gaining prominence these days, partly due to current geopolitical events. Consequently, politicians from this region are increasingly influential. To put it plainly, we have a strong drive – a "hunger," as I often say – not for basic necessities, but for greater collaboration. As a central Baltic state with the largest airport and city in the region, which naturally attracts Korean interest, I believe we can also be very competitive in the labor market. The value proposition here is significant; we have a well-educated workforce comparable to Central and Western Europe in terms of intellectual capital. This is a key advantage we can leverage. We are, I believe, in a sweet spot where you can access high-quality competencies at a very competitive price. Korean companies are aware of this, but it's our responsibility to showcase more of Europe to them and direct their attention our way. We've seen a growing interest, with perhaps five to ten visits from Korean companies annually.

Q6. What specific policy measures could be implemented to enhance economic ties between Latvia and South Korea?

As a policy implementer rather than a policymaker, my agency primarily focuses on the practical application of existing policies. The Ministry of Economics is primarily responsible for formulating these measures. From our perspective, Latvia is already a

relatively business-friendly country, with respectable international rankings. Therefore, I wouldn't necessarily identify domestic policy as the primary current barrier. Regulatory alignment, particularly working with our Korean counterparts to bridge any differences, is an ongoing area of focus. Here, our membership in the European Union provides significant support, as the EU as a whole negotiates on behalf of its member states, while also taking our specific needs into account. Areas like food safety standards and the evolving digital trade partnerships are crucial in this regard.

In my daily work, I observe substantial untapped potential, suggesting that policy isn't the immediate bottleneck. Rather, consistent and increased communication about Latvia in Korea and vice versa is vital. I'm confident the Embassy of Korea is also actively engaged in these efforts.

One area I believe holds promise is a clearer international policy direction from the Korean side. I recall previous initiatives like the New Northern Policy. As Korea continues to occupy a pivotal global position and seeks to increase its international impact, we emphasize the strategic importance of developing a stronger presence in Europe. We position Latvia as a valuable partner in accessing the European Union's market of approximately 500 million people. Therefore, a more concrete and proactive commitment from the Korean side to engage with Europe would be particularly welcome.

Interviewer

Thank you so very much for your generous time and insightful responses. I deeply appreciate the invaluable information you've provided. Your guidance will be immensely helpful as I finalize my master's thesis. I will conclude the recording at this point.

Mārtiņš Baumanis

Good luck with your thesis, Hwijje

[disconnected]

GRATITUDE

This Master's thesis is finally a reality thanks to the incredible support I've received along the way.

First and foremost, a huge thank you to my amazing supervisor, Ph.D. lect. Vecuma-Veco Annija. Your guidance, insightful questions, and unwavering belief in this project kept me going, even when things felt overwhelming. Thank you for your expertise and for always encouraging me.

I am also so grateful to Mārtiņš Baumanis and Myungje Sung for taking the time to speak with me and share their valuable insights. Your perspectives as key individuals in the economic relations between Latvia and South Korea were essential to this research.

To the faculty and staff at the University of Latvia, thank you for creating such a supportive and inspiring learning environment.

My appreciation also goes to the State Education Development Agency of the Republic of Latvia for the state scholarship that made this Master's program financially possible.

And to my wonderful family and friends; Thank you for your endless love, support, and understanding. Your patience and encouragement throughout this extended journey meant the world to me.

Finally, a personal thank you to myself. This has been a long and challenging road, marked by mandatory military service and significant health issues, including surgeries, that caused delays to finish. I am incredibly proud of myself for persevering, for not giving up, and for overcoming these obstacles to finally complete this Master's thesis.

26. May. 2025.

Hwije IM

Master thesis “**Economic Relations between South Korea and the European Union: A Focus on Latvia’s Role and Potential**” elaborated in the Faculty of Economics and Social Science of the University of Latvia.

Herewith I confirm by putting my signature that the research has been conducted individually, as well as the fact that only the indicated sources of literature have been used in the paper and that the electronic copy of the paper corresponds to the printout.

Author: Hwije, Im _____
(personal signature)

I recommend/ I do not recommend these thesis for the defense

Supervisor: Ph.D. lect. Vecuma-Veco Annija _____ 26.05.2025
(signature)

Reviewer: Dr.admin, assoc. prof. BAUMANE-VĪTOLIŅA Ilona

The work is submitted at the Study Center on _____.____.2025.

Person authorized by the Dean: methodologist Inese Ranka _____
(signature)

Master thesis has been defended in the session of the Commission on Master’s Graduation Examination

Secretary of the Commission: _____