

DOI 10.31558/2307-2318.2022.2.4

UDC 330.34-048.35(519.5):221.7

JEL: N15, N35, N45, O20, O38, O53, P11

**Kistersky L.,**

Dr. Sci. (Econ.),

Professor at the Chair of International Economic Relations

Vasil' Stus Donetsk National University

ORCID: 0000-0001-5993-763X

e-mail: l.kistersky@iprgroup.info

**Orekhova T.,**

Dr. Sci. (Econ.), Professor,

Dean, Faculty of Economics,

Vasil' Stus Donetsk National University

ORCID: 0000-0003-3650-5935

e-mail: t.oriekhova@donnu.edu.ua

## **UKRAINE – SOUTH KOREA: ECONOMIC COOPERATION POTENTIAL**

*Analysis of the reasons and circumstances of the unprecedented growth of the South Korean economic and social indicators during modern times, phenomenal achievements of the country in various spheres of life and wellbeing of people are contained. Possibilities for transition countries, like Ukraine, to make use of the experience of the republic of Korea and other Asian countries for a catch-up economic and political modernization are outlined. Given Confucian Korea outstanding performance during the life of one generation and geostrategic similarity with Ukraine, expediency of using positive experience of this country fully or at least partially in attaining the priority goals of Ukraine's reform strategy is grounded. Reform priorities include restoring the country's good governance system, decentralization, abolishing monopolies, fighting corruption at all levels, effectively reforming the judiciary and solving other important problems as was done in South Korea. Just like Korea, it is advisable for Ukraine to focus on the development of the country, adapting and creatively integrating the most competitive values and management technologies of the Confucian East and the liberal West.*

**Keywords:** South Korea, economic modernization, aid flows, Confucian traditions, state regulation, finance mobilization, investment opportunities; governance, Korean New Deal, Ukraine.

Ref. - 24

**Кістерський Л.Л.,**

доктор економічних наук,  
професор кафедри міжнародних економічних відносин,  
Донецький національний університет імені Василя Стуса  
ORCID: 0000-0001-5993-763X  
e-mail: l.kistersky@iprgroup.info

**Орєхова Т.В.,**

доктор економічних наук,  
професор, декан, економічний факультет,  
Донецький національний університет імені Василя Стуса  
ORCID: 0000-0003-3650-5935  
e-mail: t.oriekhova@donnu.edu.ua

## **УКРАЇНА-ПІВДЕННА КОРЕЯ: ПОТЕНЦІАЛ ЕКОНОМІЧНОЇ КООПЕРАЦІЇ**

*Стаття містить аналіз причин і обставин безпрецедентного зростання південнокорейських економічних й соціальних показників, феноменальних досягнень країни в різних сферах життя і добробуту людей. Окреслено можливості для країн з перехідною економікою, як Україна, використати досвід Республіки Корея та інших країн Азії для наздоганяючої економічної та політичної модернізації. Враховуючи видатні показники конфуціанської Кореї за життя одного покоління та геостратегічну схожість з Україною, обґрунтовується доцільність повного або принаймні часткового використання позитивного досвіду цієї країни у досягненні пріоритетних цілей стратегії реформування України. Пріоритети реформ включають відновлення системи належного управління в країні, децентралізацію, скасування монополій, боротьбу з корупцією на всіх рівнях, ефективне реформування судової системи та вирішення інших важливих проблем, як це було зроблено в Південній Кореї. Так само, як і Кореї, Україні доцільно зосередитися на розвитку країни, адаптуючи та творчо інтегруючи найбільш конкурентоспроможні цінності та технології менеджменту конфуціанського Сходу та ліберального Заходу.*

**Ключові слова:** *Південна Корея, економічна модернізація, потоки допомоги, конфуціанські традиції, державне регулювання, мобілізація фінансів, інвестиційні можливості; урядування, Корейський новий курс, Україна.*

Літ. - 24

The basic goal of the article is to analyze main reasons, circumstances, and ways of South Korean phenomenal achievements in various spheres of life. The article pays emphasizes on a number of similarities in geostrategic features of Ukraine and Korea and suggests some proposals how to use Ukraine's significant potential for implementing ambitious development goals.

### **Introduction**

Taking into account the impressive successes of South Korea both on the internal and external markets, it is quite natural that Ukraine is interested in intensifying all-round trade and economic cooperation with this country. Diplomatic relations between Ukraine and South

Korea began in 1992. Since then, interstate cooperation has been developing steadily for many years.

The Confucianism-based model of development could smooth out the existing contradictions in many countries and their unions. At the European Union (EU) level, this model would help overcome the acute political and economic crises that are undermining this unique integration partnership. Some EU members in recent years have selfishly put their individual interests above the collective interests of the Union, and liberal relations only stimulate the growth of the number of selfish countries, endangering the very existence of the EU.

Considering the problem of realizing the potential of Ukrainian-Korean cooperation, it is necessary, first of all, to highlight the conditions under which this will become possible in the foreseeable future. The development of the Korean economy is usually divided into three major stages: import substitution (1953-1961), export orientation (1962-1972), industrialization (1973-1979), and each of the stages was heavily oriented on the inflow of foreign capital. In fact, President Park Chung Hee encouraged foreign capital inflow by all available legal measures from all geographical venues. Given the acute shortage of financial resources in the country, he adhered to a purely pragmatic position in attracting foreign capital and considered the usefulness of the attracted resources for the Korean economy as the main criterion. "Nonetheless, welcoming foreign capital did not mean lifting regulatory measures. On the contrary, Park put in place a diverse array of restrictions and regulations, particularly on foreign direct investment, in order to nurture the chaebol into national champions and harness foreign capital for Park's goals of economic independence" [1, p. 127].

The Republic of Korea is of special interest to Ukraine. In terms of geopolitical parameters, Ukraine and the Republic of Korea are pivot states — for Eastern Europe and East Asia, respectively — which have such assets of military, economic and «soft power» that are of strategic interest to major world actors.

At the same time, beyond the intra-Korean conflict, the Republic of Korea is sandwiched on a relatively small peninsula between three giants with their geopolitical ambitions — the Chinese, Japanese and Russian Empires or their successors. Only after the Second World War was there a great power — the United States, which became the guarantor of military security and peace on the Korean Peninsula.

At the same time, the Republic of Korea has managed to overcome the devastating effects of war, poverty, and corruption and has built one of the world's most industrialized and innovative economies in a short historical period. Today, Ukraine faces similar challenges, so the South Korean experience of economic modernization and development is important and relevant for Ukraine [4, p. 44].

#### **Modernization and development under tough state regulation**

In 2013 the General Conference of UNIDO has adopted a fundamental document regarding the importance of industrialization as a basis for economic development – a new Lima Declaration that specified the Organization's development priorities for the coming years, placing special emphasis on inclusive and sustainable industrial development [5]. It is interesting to note that the document has been adopted exactly when the Secretary General of the UN was Ban Ki-Moon - a South Korean politician and diplomat who served as the eighth Secretary-General of the United Nations from January 2007 to December 2016. Commenting on the Lima 2013 Declaration, Ban Ki-Moon said that "The Lima Declaration will create the foundation for the coming decades of UNIDO's important work as the central agency in the United Nations for all matters related to industrialization" [6].

In practice, the success of industrialization and modernization processes largely depends on the chosen model of public policy and the subsequent consistency of its implementation. The authors of the Declaration perfectly understood that each country can choose its own path of industrialization and subsequent modernization based on the available technological processes and reflected this in the document. “We recognize the diversity of ways towards sustainable development and in this regard recall that each country has the primary responsibility for its own development and the right to determine its own development paths and appropriate strategies” [7, Para. 11].

World practice confirms that blind copying of someone else's experience does not lead to the expected results of the original. Friedrich Nietzsche framed this thought in an original form inherent only to him, advising not to blindly repeat what has already been done by others. “Seeing things as similar and making things the same is the sign of weak eyes” [8, p. 163]. However, creative adaptation of the already successful things, taking into account the realities of the country of would-be use, has a positive effect. However, what always remain unchanged are high ethical principles, as confirmed by the thousand-year history of Confucian teaching basis.

Among the many models of industrialization, the most common in world practice, according to UNCTAD, are the two most typical, the differences between which lie in the degree of correlation between structural and fundamental factors and implementation mechanisms. In addition, the socio-economic conditions of the countries of implementation are taken into account as important dominating factors. UNCTAD singles out the catch-up industrialization and the stalled industrialization as the two types of industrialization in developing countries. In the first case, the result is a rapid catch-up development of countries with a reduction or elimination of their lag behind the most industrialized countries; and in the second - the conservation and even an increase in the gap in productivity and income from the most developed countries [9, pp. 77-81].

In practice, few countries have succeeded in implementing the catch-up industrialization model. In this series, South Korea has achieved the most impressive successes, having managed to move from low-tech to high-tech production in a short time. In this process, the country's authorities provided targeted and effective support to national producers at all stages of production transformation based on advanced technologies: abundant lending to high-tech producers on preferential terms, export promotion, all kinds of support for the development of companies based on R&D, provision of special tax incentives for investors, purchasing power support for internal consumers to develop the domestic market, etc.

Separately, it should be noted the state support for science and education at the university level, which accelerated the creation of new types of goods based on advanced technologies. This, in turn, allowed South Korean companies to significantly expand their export structure and strengthen their presence in the world markets for high-tech products. In parallel with the focus on high-tech exports, growing domestic demand and the related changes in income distribution as a result of increased labor productivity also played a critical role in the rise of South Korea. This allowed the creation of mass production of industrial goods for the domestic market and became an important factor in sustainable and long-term economic growth.

In this series of South Korea's achievements, attention is drawn to the fact that reforms in the country began in the early 1960s and were highly successful under the tough dictatorship of Park Chung Hee, which has been replaced by democratic forms of governance two decades later. Among the successful countries of the Confucian region, China should also be singled out, since it was and remains to this day the tough dictatorship of the Communist

Party, which, under its leadership and control, began to develop the economy in the late 1970s.

In this respect, the authors fully share the opinion of a leading Ukrainian scholar Yuriy Kindzerskyi that, "...citing the example of the Republic of Korea and China, we do not call for the need to introduce a dictatorship in Ukraine. We are talking about stating the indisputable fact of how the political elite through the dictatorship was able to build a modern developed high-tech economy" [10, p. 15]. Indeed, in the above examples of South Korea and China, we are talking about specific responsible people who have assumed full executive power and heavy responsibility for the results of their governance.

#### **Global competitiveness dynamics**

The Republic of Korea does not have many natural resources, but it has important intellectual arsenal and has been utilizing it effectively. Since the 1960s, the country's leadership has been purposefully developing critical sectors of the national industry. For example, if before that such firms as Samsung and Hyundai were not large companies, now they are known all over the world. In the same way, South Korea has developed and modernized a number of important industries - automotive, shipbuilding, electronics, etc. Today, these South Korean industries compete successfully in world markets.

Successful modernization of the South Korean economy over the past quarter century has propelled the country even higher in the tightly compressed global competitiveness ranking where Japan has been one of the leaders in the ranking. Japan has long been considered almost the country's benchmark in terms of competitiveness and other economic indicators.

The Lausanne International Institute for Management Development has published data comparing the dynamics of some economic indicators between South Korea and Japan, including Index of Global Competitiveness. The numbers showed that Japan dropped from 4th to 34th place in the global competitiveness rankings between 1995 and 2020, while South Korea overtook it, moving up from 26th to 23rd over the same period.

In 2018, South Korea also overtook Japan in such an important indicator as the current gross domestic product (GDP) per capita, based on purchasing power parity (an indicator of national purchasing power that reflects inflation and the level of the country's exchange rate); so, in Japan this figure was \$ 42,725, and in Korea - \$ 43,000.

In addition to the above mentioned impressive domestic indicators, Korea has achieved significant success in external indicators. So, if in 1990 the export and import of South Korea accounted for 24% and 31% of the same indicators of Japan, then in 2020 they increased to 80% and 74%, respectively [32].

However, the growth of the most important economic indicators in comparison with one of the traditionally leading economies of the Asian region and of the world does not at all reassure the representatives of the Korean industry. For example, the director of the International Relations Department of the Korean Federation of Industry said that there is still a lag in investment opportunities and competitiveness in the sphere of science and technology. To bridge these gaps, strategic support for R&D of South Korean industrial enterprises will be strengthened [33].

#### **Challenge for Ukraine's Governance**

An outstanding Ukrainian economist Valeriy Heyets attributes the creation of conditions for accelerated economic and social modernization to the basic economic and political interests of Ukraine [11, p. 287].

Unfortunately, the past 30 years of the formation and development of the Ukrainian state have revealed the unhappy phenomenon of an "economic miracle on the contrary" - a



kind of “irrepressible movement from missiles to plowshares,” according to the figurative expression of the Ukrainian publicist Stas Kosarenko, “which has become a unique phenomenon in world practice” [12]. Alas, but Ukraine remained the only economy in the world that demonstrated in 1990-2020 negative economic growth, i.e. falling real GDP. In 2020, Ukraine’s GDP (constant 2015 US \$), according to the World Bank, accounted for 60.6% of the 1990 level [13].

The problem of increasing the efficiency of managing the country's economy has been on the surface literally from the first days of Ukraine's acquisition of sovereignty thirty years ago. From time to time scientists tried to draw the country leaders’ attention to the need for real reforms of the management system. However, this issue has never been an agenda point at the highest level.

Reform of the public administration sector has been of principal importance in the market transformation period. Among the reasons that lead to deep economic crisis in Ukraine one can name the extremely complicated bureaucratic apparatus, which serves, primarily, for realization of politicians’ personal interests. The Cabinet of Ministers with its numerous employees, inflated staffs of advisors, experts, analysts and assistants; the presidential administration; and the supremely powerful Ministry of the Economy which only duplicates the functions of dozens of other ministries and official bodies – are all bureaucratic institutions which are not able to coordinate their joint work, and, thus, prevent the efficient state regulation of economy.

Accordingly, we have the triple system of state regulation of economy: President, together with a large administration, Cabinet of Ministers, and the “state within the state” – the Ministry of the Economy. The Ministry of Finance could also be included into this list. Even with our great budgetary deficit, we still maintain two – American and English systems of governing simultaneously. Each of these countries, being highly developed, has a much simpler system of governing. Particularly, in the USA, a President, when coming to power, forms an administration, which governs the country and the economy and is responsible to the nation for this. Meanwhile, Great Britain, with its exclusive reputation of good governance, has different traditions. The leader of the party winning the elections becomes the Prime Minister that forms his/her cabinet, which governs the country and, again, reports directly to the nation. Ukraine still has to decide which system is more appropriate for the country in the current conditions.

Given the underdeveloped political parties, in particular, those belonging to the democratic wing, the system of presidential administration looks more appropriate for Ukraine. According to the Constitution of Ukraine, President is a person enjoying nationwide support throughout the country. So, presidential administration should govern the economy and be responsible for it. Cabinet of Ministers as an institution could be abolished, and its staff significantly reduced and transferred to the presidential administration. In order to directly regulate the economic block of the administration, either the position of Vice-President could be introduced, or those functions could be transferred over to the Minister of Economy. In this case a President and his administration would bear direct responsibility for everything happening in the country. Unfortunately, practice shows that our bodies of power do not effectively cooperate to reform the economy, but just blame each other for their mistakes. The state administration bodies have wide powers which they cannot use to quickly de-regulate the economy, and, thus, to stimulate private business. Instead, they continue to put excessive pressure on private business in order to preserve the conditions of their existence.

The leaders of our country often call up their foreign colleagues to invest money in Ukraine. They justify the calls by Ukraine's favorable European geographical position and huge general potential. Obviously such calls cannot bring practical results, since foreign entrepreneurs, creditors and investors are guided not by presidential orders (especially from foreign countries) but rather by the attractiveness of the economic and investment climate in the recipient country. The world competes intensively in terms of attracting foreign investment, and capital goes to those countries with more favorable and transparent economic laws that guarantee its safe functioning and allow for reasonably high return. Year after year Ukraine loses more and more in this competition, and nowadays is placed somewhere in the second hundred among the least developed countries on the investment risk rating list.

Regrettably, the economic and investment climate in Ukraine is one of the most unfavorable in the world for foreign investors. It is no wonder, that Ukraine is not a real rival in the global competition for capital. The reasons for Ukraine's unattractiveness are numerous and well known: over-regulation of the economy, high and complicated taxes, violations of contractual agreements, etc. All these make it clear to the foreign investor that until now Ukraine has not created the necessary pre-conditions for capital accumulation and its efficient use. But, maybe the most serious sign of an unfavorable economic climate in Ukraine for foreign investors is the under-investment of domestic capital. If a domestic investor is not ready to take the risk of investing in his own economic environment, all the more reason that a foreign investor would not be willing to undertake risky investment in Ukraine.

Because of this, Ukraine is unfortunately gaining the reputation of being a country which is not able to develop quality investment projects, and is unable to effectively use foreign investment resources to introduce real market transformation in the economy [14, pp. 30-36].

In Ukraine, governments saw their main reformation goal as deregulation of the economy, which, according to the expectations, should secure foreign capital inflow to the country. However, for foreign investors, institutional changes aimed at creating sustainable long-term growth factors are much more important than deregulation. At the same time, the decline in domestic aggregate demand for domestic industrial goods due to increased imports and in the absence of corresponding growth in exports of processing industry was a factor in deepening deindustrialization, as there were expansion of low-productivity and low-paid activities in the primary sector. It is obvious that Ukraine will not be able to copy successful models of such a policy due to the existing peculiarities of the domestic institutional environment and external economic circumstances [15, p. 26].

In the policy of industrialization of Ukraine, it is advisable to abandon the reliance exclusively on the use of current competitive advantages. It was the focus on cheap labor as a competitive advantage that led to deindustrialization and "agrarization" of the economy in the international division of labor. To overcome the technological backwardness of production, attention should be paid to the development of promising competitive advantages based on knowledge and technology. Research institutions of the National Academy of Sciences of Ukraine don't lack promising developments in various fields of science & technology, but lack experience in their commercialization and financial resources to enter international markets.

It is possible to return to the path of industrialization and modernization of Ukraine's economy with the active role of the state and state support within the long-term strategy of economic development with the definition of a road map and benchmarks of innovation. It is on the basis of this roadmap that the system of education and science needs to be reoriented. Yrii Kindzerskyi is even more categorical in this regard, and it is difficult to disagree with

him. «However, if Ukraine continues the course of complete withdrawal of the state from the economy, the question of achieving the goals of sustainable development and inclusive industrialization as its component cannot be raised» [15, p. 34].

### **Modernization options for Ukraine**

In the series of successful economies, the Republic of Korea is a special example for Ukraine, as in a historically short period of time it managed to become one of the most technologically advanced countries in the world, becoming a member of the G20. In addition, Korea has managed to become one of the leading investment countries at the global level and take a high place among the world leaders in accumulated gold and foreign exchange reserves.

At present, our financial problems are reminiscent of the famous parable of the talent buried in the ground, especially after reading financial declarations of domestic politicians and high-level officials.

Judging by the declarations of high-ranking Ukrainian politicians and officials, the range of cash money stored at home is from several thousand to millions of US dollars; more so, one of the political leaders boasted a home hoard of several tens millions of US dollars. If the declarations contain false information, then there are legal methods of punishment for financial fraud, but if it is the case, the role of those citizens in the economy was described almost two thousand years ago. Simple arithmetic calculations suggest that our leading politicians and high-ranking officials keep cash at home comparable to the country's annual budget. The financial resources they hold offshore are not declared or quantified. That is, huge financial resources are hidden outside the economy, which are so lacking to finance development programs and economic reforms [See details in 16].

On the other hand, in Ukraine, in the conditions of preservation of the clan-oligarchic economy, the priority for certain branches within the framework of economic policy are practically not carried out. But each business has its own characteristics, a different cost structure, and, as a result, a different effect on the economy.

For Ukraine, the Republic of Korea until recently remained on the periphery of relations, despite the unprecedented rate of economic growth, high-quality medicine and huge investment opportunities.

Several years ago, business community representatives of the Republic of Korea have analyzed possibilities of opening a large car plant in Ukraine under the Hyundai or KIA brand. This is a potential multibillion-dollar investment, hundreds of thousands of cars, billions of dollars in export revenue. One such investor and one built plant could provide orders to approximately 150-200 Ukrainian subcontractors of medium and small businesses. Each job created in such a plant would lead to the creation of 10 more jobs in other industries. The cumulative impact of employment and the emergence of subcontractors would result in a significant increase in the purchasing power of the population and GDP growth.

Unfortunately, in early 2019, the headquarters of Hyundai and Kia Automotive closed their offices in Ukraine and refocused on other countries. The official reason is a sharp drop in sales of new cars over the past few years. Instead, Ukrainians have spent an average of about \$ 2.3 billion a year on imports of used cars over the past 5 years! And this, according to experts, is still quite a conservative assessment of the Ukrainian market of imported used cars with foreign registration. So, instead of protecting the interests of the domestic high-tech producers, oligarchic lobby supports importing used foreign junk into the country [17, pp. 3-39].

In fact, the available import of used cars costs Ukraine much more than the direct spending of citizens and becomes a visible brake on the country's innovative development. Thus, the already adopted anti-oligarchic laws and those that are still pending may help altering the situation for the better. At the same time, the causality of the phenomenon of second-hand



cars mass imports to Ukraine is not limited only to the government's policy and the oligarchic lobby's influence on it but is deeply rooted in the mass traumatized consciousness of the post-Soviet Ukrainian society, in which the models of personal consumption have still little to do with such spiritual and moral values like patriotism, social responsibility or solidarity.

Many South Korean companies are currently focusing on Central and Eastern European countries, where they are opening factories and investing billions of dollars. For example, Kia Motors Corporation has opened a car factory in Slovakia, Samsung SDI has opened a plant in Hungary to produce batteries for electric vehicles.

Until 2014, more than 20 Korean companies-investors worked in Ukraine, and then their number decreased to 12. As a result of a short-sighted economic policy of Ukraine, at the beginning of 2021 the volume of direct Korean investments in the Ukrainian economy amounted to only slightly more than \$ 200 million. The largest volume of investments was directed to enterprises in the industrial sector - 74.3%, to R&D - 23.6%, and the rest to trade and repair of vehicles. Ukrainian investments in the ROK are totally absent. The reasons for such insignificant investment cooperation between Ukraine and the ROK are well-known: distrust of the law enforcement and legal system, corruption, and insecurity of property rights.

In his recent interview, the Ambassador of the Republic of Korea to Ukraine, Mr. Ki-Chang Kwon, noted that the few remaining in Ukraine Korean entrepreneurs face discomfort of the local business climate, and investing in Ukraine for small and medium-sized Korean entrepreneurs is quite risky [18].

For instance, the South Korean company GS Construction invested \$24 million in 2019 in the construction of two solar power plants in the Transcarpathian region with a capacity of 12.6 and 11.5 MW. However, before their construction was completed, there was a certain «green» tariff for renewable electricity, but in early 2020 the Ukrainian government significantly reduced it. This undermined the planned return on investment, so that the above business became unprofitable for foreign investors. And despite appeals to government agencies, the problem still remains unresolved.

Several Korean small and medium-sized companies had a negative experience in Ukraine. The reason is the fraudulent financial schemes of Ukrainian partners, under which the Koreans investments were de facto expropriated by local Ukrainian partners. Korean companies have repeatedly appealed to the Ukrainian courts, but all court decisions were slow and not in their favor. Some lawsuits between Korean companies in Ukraine have been going on for 10 years. There are several complaints from South Korean and EU investors waiting for a fair and speedy settlement of investment disputes [18].

Many years of litigation are a bad signal for foreign investors about insecurity of investments in Ukraine. This forces Koreans to refrain from investing in the Ukrainian economy. It is known that Ukraine has a powerful agricultural sector, a tangible potential in space, defense, and IT industries. According to the Korean side, investors are interested in these industries. This is confirmed by the presence of the Samsung Research Center in Kyiv, which employs about 600 Ukrainian engineers involved in the development of apps for phones and software of the Korean company. In the same interview the Ambassador of the Republic of Korea to Ukraine also noted that Ukraine has excellent human resources, advanced technologies in the aerospace and defense industries. There are many assets here to take advantage of. To put it simply, Ukraine's potential is far from being fully utilized.

#### **Korea's modernization landscape**

Despite many present crisis challenges, including COVID-19, in the global economy in recent years, from which the Korean economy has also been hit hard, the situation in the

country has now stabilized due to targeted government's urgent measures. Today the country's economy is based on the production of consumer goods that are also exported to world markets. Support of the home consumption in South Korea has always been one of the priority instruments for maintaining high level of the national economy growth. For the recent years, however, living standards growth slowed down and Korea has confronted additional new challenges than those it had been successfully dealing with before.

To balance the crises downfall influence the government of Korea initiated some urgent steps aimed at maintaining the growth rates of the national economy and preventing a drop in the living standard of citizens. The IMF research paper on South Korea among such urgent measures highlights facilitating structural transformations and a special post-COVID Korean New Deal (**KND**):

“The KND is a five-year development strategy that seeks to support the transformation toward a more digital and green economy by 1) strengthening digital capacity, 2) accelerating the transition toward a low-carbon economy, and 3) pursuing an overarching strategy of strengthening the social safety net... Within these three pillars, the government plans 28 projects in nine key areas with estimated government funding of KRW 114.1 trillion (around US \$ 57 billion.) through 2025, or about 1 percent of GDP per year... The KND could reinvigorate growth through multiple channels. Through these projects, the government expects to mobilize large-scale private investment by creating new markets, stimulating private demand, and improving regulations [19, p. 23].

“Indeed, to get out of the COVID crisis, further modernize the economy, and restore high growth rates, significant financial resources are needed. South Korea has such opportunities and for the five-year period until 2025, the country's economy will purposefully receive about 57 billion US dollars for these goals alone.

The example of Poland also demonstrates the need for significant financial support to overcome the current crisis. Unlike South Korea, Poland does not have such significant financial resources of its own, but Poland has established effective relations with the EU in terms of the inflow of financial resources. Polish Prime Minister Mateusz Morawiecki presented a number of provisions of the National Economic Recovery Plan (Plan) after the pandemic. Poland is investing about 20 billion zlotys in the health care system (almost 4.5 billion euro). In addition, the Plan envisages investments in modernizing the economy, in ecological and smart mobility, as well as in renewable energy and reduction of energy consumption. To fulfill these tasks, within 5 years till 2025 inclusive Poland will receive about euro 58 billion from the EU budget through the European Union Reconstruction Fund, including almost euro 24 billion in the form of non-repayable subsidies” [20].

Among the industries to which the financial support of the KND will be directed, three main industries can be distinguished, which at the present stage form the basis of the country's economy: **automotive, electronics, and shipbuilding**

The **automotive** industry in Korea has long been the fastest growing industry, and the major auto companies are well known throughout the world. The automotive industry accounts for 9.4% of the total value added. In the share of exports of the country the products of auto concerns make up 8.3%, employing some 7.4% of the country's able-bodied population. Today, Korean companies rank fifth in the global automotive market. Among the leading Korean carmakers, the following should be highlighted:

1. Hyundai Motor
2. Kia Motors
3. GM Daewoo Auto & Technology
4. SsangYong Motor Company

### 5. Renault Samsung Motors

It is important to note that the model range of each car manufacturer is constantly expanding, and the automotive industry itself remains an important component of economic stability for the country.

The worldwide digitalization trend has only strengthened the position of Korea's **electronics** industry, which produces not only the entire range of consumer electronics, but also telecommunications equipment. The consumer electronics market average annual production is more than \$17 billion and the bulk of the equipment is exported. The leaders of the Korean electronics industry are world known:

1. LG
2. Samsung
3. Daewoo Electronics

The telecommunications equipment market in Korea is more than 1,5 times larger than the consumer electronics market and its average annual production reaches \$ 28 billion. This situation became possible due to the high demand for such products in the domestic market. In Korea, integrated circuits, diodes and transistors form the basis of all modern digital technology. Over the years, the share of electronics industry in the country's total exports reached 10%. It is important to note that Korea today is the main global manufacturer of chips, supplying them to all developed countries of the world.

The **shipbuilding** industry in Korea includes not only the construction of ships of all types, but also their design and repair. Active growth of this industry stimulates, in its turn, the development of many related industries, like chemical and metallurgical. Today, three leading companies are engaged in shipbuilding in Korea:

1. Hyundai Heavy Industries
2. Daewoo Shipbuilding & Marine Engineering
3. Samsung Heavy Industries

Over the past 30 years, shipbuilding in Korea has developed very rapidly and over the past decade the share of this country in the world shipbuilding market in the production of expensive ships regularly amounts to almost 60% [21].

Unfortunately, Ukraine has neither own financial resources to overcome the current crisis and successfully carry out reforms, nor the ability to mobilize funds from external sources. Nevertheless, Ukraine has significant potential for drawing the necessary financial resources into the economy [22]. First of all, it is necessary to stimulate the flow of huge financial resources into the banking system of Ukraine located at private hiding places or offshore; it is also necessary to significantly improve the investment climate in the country, to which the government's efforts are already directed. Achievement of these two goals will strengthen relations with international financial organizations, which will lead to a further increase in the inflow of investments into the country.

### Conclusion

Given Confucian Korea outstanding performance during the life of one generation and geostrategic similarity with Ukraine, it is expedient to use positive experience of this country fully or at least partially in attaining the priority goals of Ukraine's reform strategy.

Priorities include restoring the country's good governance system, decentralization, abolishing monopolies, fighting corruption at all levels, effectively reforming the judiciary and solving other important problems, as was once done in South Korea.

In South Korea, the president's political instruments were used to bring about vigorous and effective changes in public policy. The success of the reforms was also largely ensured by

the rigidity in making, and especially in the implementation of vital decisions, which is critically important for modern Ukraine.

World practice confirms that blind copying of someone else's experience does not lead to the expected results of the original. Ukraine doesn't need to fully copy the experience of South Korea due to a number of economic and political peculiarities. On the one hand, our society cannot yet be called fully mature, since the level of legal awareness and understanding of the basic requirements of modern socio-economic life is clearly not sufficient. On the other hand, the country could adapt the positive experience of South Korea and successfully apply it to promote reforms and modernize the economy.

Industrialization and modernization of the South Korean economy was carried out with significant support from American aid flows, and in a later period - with the support of multibillion-dollar loans and private direct investments. So far, Ukraine can hardly count on significant financial support from donors, investors or international financial organizations.

Nevertheless, Ukraine has significant potential for drawing the necessary financial resources into the economy. First of all, it is necessary to stimulate the flow of huge financial resources located at private hiding places or offshore into the banking system of Ukraine; it is also necessary to significantly improve the investment climate in the country, to which the government's efforts are already directed. Achievement of these two goals will strengthen relations with international financial institutions, which will have a cumulative effect on the further increase in investment inflows into the country.

#### REFERENCES

1. Kim, Byung-Kook; & Vogel, Ezra. Eds. (2011) *The Park Chung Hee Era. The Transformation of South Korea*. Cambridge, England, Harvard University Press, 744 pp.
2. Knowles, Emily; Sweijs, Tim; & Oosterveld Willem Theo. (January 2014) *Why are Pivot States so Pivotal? The Role of Pivot States in Regional and Global Security*. The Hague, The Hague Centre for Strategic Studies. 51 pp.
3. Wu Yu-Shan. (2017) *Pivot, Hedger, or Partner Strategies of Lesser Powers Caught between Hegemons*. In: Lowell, Dittmer. Ed. *Taiwan and China. Fitful Embrace*. Berkeley, CA. University of California Press, 320 pp.
4. Kistersky, L.; Marmazov, V. & Piliaev I. (2021) *Modernization of South Korea: Origins, Achievements, and the Experience for Ukraine*. *Economy of Ukraine*, № 9, pp.41-60.
5. Lima Declaration: Towards inclusive and sustainable industrial development. 2-6 December 2013, Lima, Peru.
6. Ban, Ki-Moon. (2013) *Commenting on the Lima Declaration*. Available at: <https://www.unido.org/who-we-are/inclusive-and-sustainable-industrial-development/lima-declaration>.
7. Lima Declaration: Towards inclusive and sustainable industrial development. 2-6 December 2013, Lima, Peru.
8. Nietzsche, Friedrich. (1974) *The Gay Science: With a Prelude in Rhymes and an Appendix of Songs*. Penguin Random House, 275 pp.
9. UNCTAD. *Trade and Development Report 2016*. New York, Geneva, pp. 77-81. Retrieved from [https://unctad.org/system/files/official\\_document/tdr2016\\_ru.pdf](https://unctad.org/system/files/official_document/tdr2016_ru.pdf).
10. Kindzerskyi, Yurii. (2021) *Inklyuzyvna Industrializatsiya Dlya Staloho Rozvytku: do Zasad Teoriyi ta Polityky Formuvannya*. *Ekonomika Ukrayiny*. Kindzerskyi, Yurii. *Inclusive Industrialization for Sustainable Development: to the Principles of Formation Theory and*

Policy. Economy of Ukraine, No. 5, 3-39 pp.

11. Heyets, Valeriy M. (2006). Stratehiya innovatyvno-innovatsiynoho rozvytku [The Innovative and Innovation Development Strategy]. In: Heyets, Valeriy M. (Ed.). Ukrayina u vyri ekonomiky znan' [Ukraine in the Vortex of Knowledge Economy]. Kyiv: Osnova [Basis]. pp. 287-352.

12. Kosarenko, Stas. (25 avgusta, 2021) Neuderzhimoye dvizheniye ot raket k sokhe ne vyzyvayet chuvstva gordosti. Strana.ua. Kosarenko, Stas. (August 25, 2021) The irrepressible movement from rockets to plow does not evoke a sense of pride. Retrieved from <https://strana.news/opinions/350260-neuderzhimoe-dvizhenie-ot-raket-k-sokhe-ne-vyzyvaet-chuvstva-hordosti.html?fbclid=IwAR1MN2Q8E0QTPtWH1vx-J9uNHM05mbaS3nRp1tAJ2m-fFkoMwBAUGoYVpZ0>

13. The World Bank (2021). GDP (constant 2015 US\$) – Ukraine. World Bank national accounts data, and OECD National Accounts data files. Retrieved on December 15, 2021, from: <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD?locations=UA>

14. Kistersky L. (1999) Economic Security of Ukraine. "Science and Defense", № 2, pp. 30-36.

15. Kindzerskyi, Yurii. (2021) Inklyuzyvna Industrializatsiya Dlya Staloho Rozvytku: do Zasad Teoriyi ta Polityky Formuvannya. Ekonomika Ukrayiny. Kindzerskyi, Yurii. Inclusive Industrialization for Sustainable Development: to the Principles of Formation Theory and Policy. Economy of Ukraine, No. 5, 3-39 pp.

16. Kistersky L.; Marmazov V.; & Piliaiev I. (2021) Modernization of South Korea: Origins, Achievements, and the Experience for Ukraine. Economy of Ukraine, 2021, N 9, pp. 41-60.

17. Kindzerskyi, Yurii. (2021) Inklyuzyvna Industrializatsiya Dlya Staloho Rozvytku: do Zasad Teoriyi ta Polityky Formuvannya. Ekonomika Ukrayiny. Kindzerskyi, Yurii. Inclusive Industrialization for Sustainable Development: to the Principles of Formation Theory and Policy. Economy of Ukraine, No. 5, 3-39 pp.

18. Posol Respubliki Koreya: «Dlya malykh i srednikh koreyskikh predprinimateley investirovaniye v Ukrainu yavlyayetsya ves'ma riskovannym» 16 fevralya 2021. Ambassador of the Republic of Korea: "For small and medium-sized Korean entrepreneurs, investing in Ukraine is very risky". Retrieved from <https://mind.ua/ru/publications/20222205-posol-respubliki-koreya-dlya-malyh-i-srednih-korejskih-predprinimatelej-investirovanie-v-ukrainu-yavl?fbclid=IwAR1VsdyhcATyflvTy>

19. Swiston, Andrew J. (March 2021) Korea's Growth Prospects: Overcoming Demographics and COVID-19. IMF Working Paper. Washington, DC. International Monetary Fund, 38 pp.

20. Interv'yu Prem'yer-ministra Pol'shi Mateush Moravetskiy (March 1, 2021) Interview with the Prime Minister of Poland Mateusz Morawiecki. Retrieved from <https://regnum.ru/news/polit/3203381.html>

21. Vse pro Koreyu. 29.04.2021. All about Korea. Retrieved from <https://vseokoree.com/vse-o-koree/ekonomika-korei/vedushhie-otrasli-ekonomiki-yuzhnoj-korei>

22. Kistersky L.; Marmazov V.; & Piliaiev I. (2021) Prospects for the East-West Civilizational Convergence: Confucian Tradition Democracy in the Republic of Korea, Prague, Coretex, CZ , 248 p.