

## Abstract

### Enhancing Global Competitiveness of the Korean Industries: An Analysis of Export Competitiveness by Industry

Jaehan Cho et al.  
jhcho@kiet.re.kr

Korean exports, which historically have led to economic growth, have been on a steady decline recently. In particular, signs of a slowdown in export growth have been widening recently amid the recent spread of global risks such as the changing trade environment and protectionism. The impact of exports on domestic economic growth following the overall slowdown in exports is also declining, and the growth rate of the domestic economy is also stalling as exports -- which have long been the domestic growth engine -- contract. While some argue that the reduction in exports reflects structural changes that in fact fuel domestic economic growth, such as increased domestic consumption, others argue that the recent drop in exports reflects a weakening of Korea's overall global competitiveness.

Against a backdrop of slumping exports, we conduct an in-depth analysis of the global competitiveness of the economy and industry and describes the implications carried by that analysis. To this end, we evaluate global Korean competitiveness industry-by-industry through comprehensive empirical analyses. It also empirically identifies the relationship between recent changes in exports by industry and the global competitiveness of them. Finally, issues are identified and implications drawn through a review and analysis of the current status and trends of the export support policies and programs. Through this analysis, we make policy recommendations for domestic foreign economic policy, which is currently centered on export support policies. The detailed results and implications of Chapters 2 through 4 of the research report, which includes the

main content, are as follows.

Chapter 2 of the report draws on recent changes in the competitiveness of the economy and industries through changes in Korean industries with a country-by-country comparison. For the evaluation of global competitiveness, an export sophistication index of Korea and major countries was compiled and implications were drawn. The main results of the analysis show that Korea has maintained a relatively high level of export sophistication in the global market, but its score as calculated in the index has fallen in recent years. In terms of the overall economy, Korea is still considered to have ample room to secure global competitiveness through export sophistication, according to comparisons with major exporters. However, since the level of the export sophistication and the possibility of securing competitiveness are heterogeneous across industries, it is suggested that the government should take into account the characteristics of each industry in securing global competitiveness through export sophistication.

Chapter 3 analyzes the relationship between the recent changes in exports and global competitiveness and describes the implications carried by those changes. In particular, in this chapter we empirically examine the relationship of export sophistication and changes in exports by industry. According to the main analysis, the Korean economy saw growth in exports of relatively more sophisticated goods, which provides evidence that it has secured global competitiveness based on increasing export sophistication. Recently, however, Korea is seen as having difficulty securing global competitiveness through export sophistication. In order to increase global competitiveness through export sophistication, it is important to change the export structure in consideration of product sophistication in addition to simply increasing exports. Policy support aimed at boosting all exports may actually result in stagnating global competitiveness due to increases in the export of unsophisticated

goods.

Finally, Chapter 4 discusses the features of the government support policy and issues related to the recent downturn in exports. Recently, domestic export support policies have been observed to respond to the reduction of exports and economic fluctuations and uncertainties in the global economy, with repeated and frequent export support policies being announced. Conversely, support tailored to changes in the trade environment and required capabilities, such as the diffusion of new technologies and digitalization caused by the Fourth Industrial Revolution for longer-term competitiveness, is relatively insufficient. Accordingly, the government needs to change its overseas economic policy in a way that can enhance the global competitiveness of exports through export support policies designed from a long-term perspective.

Through an empirical analysis and examination of the government's export support policy, this study recommends the government avoid paying excessive attention to changes in export growth as a symptom of the decrease in global competitiveness and instead shift the main focus of overseas economic policies to enhancing global competitiveness. There is also a need for policies that strengthen global competitiveness through the enhancement of industry-specific competitiveness policies.