

Policy Issues

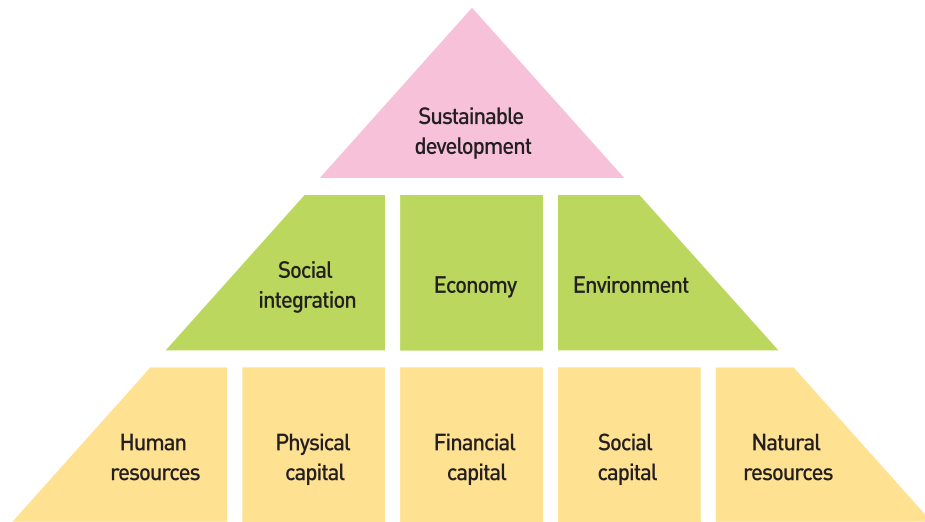
2011 Assessment of National Competitiveness

Korea's Ministry of Strategy and Finance released the 2011 assessment of national competitiveness, the second of its kind following the 2010 issue, which compares the country with 34 OECD member countries using 259 indices in economy, social integration, environment and infrastructure development. The 2011 report shows that the country has been doing well in economy, while social integration and social capital need improvement. Although the environment currently carries heavy burden from economic and social activities, it will gradually improve given the well-designed environment management system of the country.

Background

There has been need for an unbiased and objective assessment of the country's overall competitiveness to successfully tackle the global financial crisis and finally help build a firm ground for sustainable growth, as the assessment can be used to make the most of the country's strengths and overcome weaknesses.

The 2011 competitiveness assessment was made based on the following model:



Assessment

The assessment shows strengths in economy, while demonstrating weaknesses in social capital and natural resources.

Indicators showing the country's macroeconomic situation, technology development and the supply of capital have been found to be strong, but the labor sector is estimated to be weak. The economy was ranked 10th among the OECD countries, and although inflation was relatively high, macroeconomic indicators such as the growth rate, current account balance, external debt and government debt were assessed to be in good shape. However, weaknesses have been detected in the job markets for youths and women, and in the service sector. To raise productivity, labor-management relations as well as job market flexibility are to be improved, as they are found to lack competitiveness compared with the high penetration rate of IT and level of investment in education and R&D.

Korea's social integrity is assessed to be relatively weak to match the level of its economy, and spending on social welfare is expected to increase at a faster pace with the ageing of the population. The country was ranked low in terms of income disparity and gender inequality, and the safety indices including the number of car accidents and industrial accidents need to be improved. The average life expectancy is longer than that of the OECD average despite smaller expenditure on national health care service.

While the carbon dioxide emission level is high and there is heavy burden on the environment from economic and social activities, the country's environment management system runs fairly well with effective recycling and pollution management systems. There

has not been an active use of new renewable energies and the country's energy consumption has not declined, but persistent efforts have been made to improve environment and achieve green growth.

Korea shows strengths in physical and financial capital and weaknesses in natural resources, while social capital needs to be improved to the level of advanced countries. Human resources indicators show a high level of education, but the number of students per teacher and ratio of those studying overseas to receive high level education indicate the country needs to provide better education. The country's roads, railways, communication networks, electricity supply and other physical capital are qualified as well as financial capital, particularly the capacity of capital supply and soundness of banks.

Indicators related to observation of law and corruption have not reached the level of those in advanced countries, although steadily improving, and the level of trust remains low, showing a weakness in social capital.

<Number of national competitiveness indicators in economic category>

Sector	Categories	Excellent	Good	Poor	Total
Economy	Economic performance	2	7	0	9
	Supply of labor	4	10	6	20
	Supply of capital	7	3	0	10
	Technology development	11	8	2	21
	Business environment	10	23	4	37
	Macroeconomic situation	8	19	2	29
	Industrial structure	5	15	10	30
Total		47	85	24	156

<Number of national competitiveness indicators in social integration category>

Sector	Categories	Excellent	Good	Poor	Total
Social integration	Social expenditure	2	1	3	6
	Equality	0	2	3	5
	Life expectancy/health care	3	5	2	10
	Safety	0	1	2	3
	Institutions & tolerance	0	3	1	4
Total		5	12	11	28

<Number of national competitiveness indicators in environment category>

Sector	Categories	Excellent	Good	Poor	Total
Environment	Environmental pollution	1	7	2	10
	Environment management system	3	4	1	8
	Green industries	2	4	3	9
Total		6	15	6	27

<Number of national competitiveness indicators in infrastructure development category>

Sector	Categories	Excellent	Good	Poor	Total
Infrastructure development	Human resources	5	5	5	14
	Physical capital	3	5	0	8
	Financial capital	0	6	0	6
	Social capital	1	7	2	9
	Natural resources	0	2	7	9
Total		9	25	14	48

Major indicators of excellent conditions and poor conditions

<Excellent indicators, rank among OECD countries compared>

Sector	Excellent indicators	Rank
Economy	Workhours, annual average	1 st out of 33
	Increase in fixed assets	2 nd out of 30
	Total savings	3 rd out of 32
	R&D investment	4 th out of 30
	Number of patent application per 1 million people	1 st out of 34
	Ratio of ICT ¹ product exports	3 rd out of 34
	Increase in labor productivity	1 st out of 34
	Electronic government	1 st out of 30
	Expense of business closure ²	2 nd out of 34
	Tax wedge ²	4 th out of 34
	Total tax rate ²	5 th out of 33
	Consolidated fiscal balance	4 th out of 32
	Total foreign debt ²	1 st out of 31
	Foreign exchange reserves	2 nd out of 34
Added value in the manufacturing sector	1 st out of 32	
Social integration	Number of aged population ²	3 rd out of 30
	Private medical expense ²	3 rd out of 30
Environment	Recycling of urban waste	1 st out of 28
	Government spending on environment protection	3 rd out of 29
Infrastructure development	Public education expense to GDP	2 nd out of 25
	Academic achievement in math	4 th out of 30
	Household stationary phone service fees ²	1 st out of 34
	Electricity charges ²	2 nd out of 34

1. Information communications technology

2. Lower indicators mean higher ranks

<Poor indicators, ranks among OECD countries compared>

Sector	Poor indicators	Rank
Economy	Birth rates	34 th out of 34
	Ratio of foreign employees	20 th out of 24
	Youth employment	29 th out of 34
	Ratio of women participating in economic activities	30 th out of 34
	Ratio of ICT ¹ service exports	30 th out of 32
	Cost of dismissal ²	31 st out of 34
	Ratio of temporary workers	26 th out of 31
	Rate of participants in labor union	30 th out of 33
	Number of working days lost due to strikes	24 th out of 32
	Government spending on active labor market programs	26 th out of 31
	FDI stock	32 nd out of 34
	Service sector productivity	31 st out of 32
	Employment in health care and welfare sector	32 nd out of 32
	Ratio of self-employed business owners	27 th out of 30
	Social integration	Public pension expenditure
Ratio of social welfare expenditure		33 rd out of 34
Gender gap		30 th out of 31
Wage gap between genders		19 th out of 19
Number of doctors per 1,000 people		29 th out of 30
Fatal car accident ²		27 th out of 30
Fatal industrial accident ²		22 nd out of 23
Environment	Freedom of speech	28 th out of 31
	Amount of carbon dioxide produced ²	25 th out of 30
	PM10 concentration	25 th out of 30
Infrastructure development	Use of new renewable energies	30 th out of 30
	Number of students per teacher in elementary schools	28 th out of 30
Infrastructure development	Participation of activist groups	12 th out of 21
	Population density ²	29 th out of 20
	Reserves of crude oil and natural gas	22 nd out of 22
	Food independence	27 th out of 30

1. Information communications technology

2. Lower indicators mean higher ranks