

Assessment of Export Competitiveness through Decomposition of Market Share

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Since the 2000s, the importance of non-price factors in export competitiveness is assessed to have increased, due mainly to the increasing fragmentation of global production, fiercer competition, and the emergence of trade protectionism, while the influence of price factors is judged to have relatively weakened. In addition, there has been concern about a possible decline in Korea's market share in the world market due to the heightened industrial competitiveness of Asian emerging market economies (EMEs), including China, since Korea competes with these countries. This paper decomposes factors causing changes in the market shares of Korea's major trading partners into prices, quality and consumer preferences, market structure, and dependence on foreign inputs to assess the impacts of changes in global trade conditions on export competitiveness by country.

According to the analysis results, in the case of China, an increase in its price competitiveness led an increase in its market share at the initial stage of its market entry, but the influence of non-price factors, including quality, is found to have increased gradually. In addition, the impacts of the exchange rate on China's market share are analyzed to have weakened gradually since the mid-2000s. Declines in the market shares of advanced economies (AEs), including the US and Japan, are analyzed to be mainly attributable to a narrowing gap between AEs and EMEs in terms of product quality. Korea's market share has also expanded steadily, thanks to economic growth in China and other Asian EMEs with high weights of external trade. However, since Korea is heavily dependent upon imported intermediate goods, the trend of growth in its market share based on added value is found to be constrained.

The analysis results of this paper imply that it is necessary to enhance export competitiveness over the long term, such as through quality improvements, enhanced cooperation with major trading partners, and diversification of the export structure.

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