South Korea slipped three places in this year’s rankings mainly due to a decline in its R&D environment performance — in particular, the generation of IT patents.

The quality of the country’s IT infrastructure and IT human capital remain one of the best in the world, with a supportive — and improving — legal environment.

South Korea has one of the most advanced and competitive telecommunications markets with growth expected in e-commerce and software development.

South Korea achieved an overall position of joint 19th in the 2011 IT Competitiveness Index, a drop from 16th in 2009. This was mainly due to a decline in its R&D environment score. Within Asia, the country ranks 6th along with Hong Kong, just behind New Zealand and ahead of Malaysia and India.
Business environment: The quality of South Korea’s overall business environment ranks 26th in the world, gaining one place from 27th in 2009. The country has maintained its previous scores across all four indicators in the category. When it comes to protection given to private property, South Korea receives the Economist Intelligence Unit’s top grade, and a very positive assessment in terms of the freedom that businesses operating in the country have to compete. Supportive government policies in South Korea continue to foster competition and maintain downward pressure on prices while being a driving force behind the adoption of the new fourth-generation (4G) wireless mobile radio technology that offers faster data transmission rates.

IT infrastructure: The country moves up one place in this category as well, to 19th globally. This is mainly due to a significant improvement in its IT investment score, which reflects an increase of almost over 40% in market spending between 2008 and 2010, according to analyst firm IDC. However, South Korean performance has improved in all other category indicators as well. Its broadband penetration rate (37% at end-2010) remains one of the world’s highest, with fiber access accounting for a large share of those connections.

Human capital: South Korea ranks 4th in this category, dropping two places from its standing in 2009. This is due not to a decline in its performance in any indicators but to significant improvements registered by Australia and China, which moved them above South Korea in this part of the Index. South Korea continues to lead the world in higher-education enrolment, with over 98% of the university-age population enrolled, according to UNESCO. The country also ranks favourably in terms of IT employment and quality of technology skills and education. Overall, South Korea’s IT human capital environment remains one of the best in the world.

R&D environment: A decline in score and rank in this category (12th in the world, down from 8th in 2009) is the main factor in South Korea’s drop in fortunes in the overall Index. And the IT patents indicator — one of most heavily weighted in the Index — is the source of the R&D deterioration. According to data from the World Intellectual Property Organization, South Korean IT patent applications accounted for 13% of total applications in the most recent data year available (2007), which is down from 18% recorded in the previous study. Still, South Korea remains one of more prolific IT patent generators in the world. It is producing more innovative software products, with software now the fastest-growing segment of the IT industry, in a country that has traditionally focussed on hardware. Public and private R&D spending have been on the increase, as have receipts from royalty and license fees.

Legal environment: In counterpoint to the R&D category, South Korean performance in terms of its legal environment for the IT industry improved markedly, with its category rank rising from 33rd to 21st in the world. Its ratings for intellectual property protection, enforcement of IP rights (in 2009 the country was removed from the US Trade Representative’s Watch List) and data privacy law have all improved. Electronic signature and cybercrime laws are also in force.

Support for IT industry development: South Korea ranks 28th in the world in this measure, a drop of one place from 2009. The slight fall is mainly due to a decline in government spending per capita on IT hardware, software and services from previous levels. Elsewhere in this category the country’s performance is mixed, with top marks from the Economist Intelligence Unit for its e-government strategy but relatively low marks for a lack of balance in its technology industry policy, especially its penchant for favouring some industry players and technologies over others.