

Chapter 3

Governance, Innovation and Competitiveness. Analysis of South Korea's Experience^{*}

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Abstract: This chapter aims to analyze the overall process of economic growth in South Korea from the 1960s to the present. It will explore the various strategies employed by the government and key economic actors that have emphasized innovation and competitiveness as crucial elements in defining the economic miracle of this Asian Tiger. Based on these factors, the chapter will present guidelines to leverage opportunities for bilateral cooperation between South Korea and Colombia through the various agreements established between the two countries.

Keywords: governance; innovation; competitiveness, South Korea

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RELATIONS BETWEEN COLOMBIA AND SOUTH KOREA: AN ANALYSIS OF COLOMBIAN FOREIGN POLICY AS A GEOPOLITICAL STRATEGY IN THE ASIA PACIFIC

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Introduction

The relationship between Colombia and South Korea dates back to the military cooperation provided during the Korean War in the 1950s. Colombia, under the government of Laureano Gómez, decided to participate in one of the first confrontations of the Cold War era, supporting the forces of the South, which were aligned with the Western bloc. This military assistance was required after the North Korean army's occupation of Seoul.

This milestone in the bilateral relationship contributed to establishing a reciprocal relationship, particularly one of a diplomatic nature, which has endured uninterrupted to this day. However, many potentialities of this relationship have only recently begun to be explored, especially the relevance that Colombia's foreign policy has given to East Asian countries, promoting various types of cooperation agreements in areas such as health, technology, communications, and development (Barbosa, 2012).

In this scenario, the pace of South Korea's economic growth since the end of Japanese occupation has captured the world's attention, along with the characteristics of its industrialization strategies and the expansion of its export capabilities. This growth has allowed Korea to achieve convergence with the industrialized countries of the West, moving past its low levels of industrialization that, in the 1950s, were comparable to those of sub-Saharan Africa (Acaravci et al., 2009).

This growth, analyzed from the Latin American region, is of great importance, as the lessons learned from their experience can help develop policies and actions that enable better integration of the countries in the region—and of Colombia, in particular—into global markets. This should leverage the multiple current agreements and strengthen the existing close relations between the countries for the benefit of economic growth.

In this regard, this research chapter aims to analyze the characteristics of the measures taken by South Korea to promote its economic growth since the 1960s. To achieve this, it prioritizes a characteristic recognized in the literature on Korean economic growth, emphasizing that this is not only the result of the country's economic conglomerates, or *chaebols*, but also linked to a series of policies from the State that have allowed for the development of governance strategies promoting industrial sectors to seek routine systemic competitiveness for its economy (Campbell et al., 2002).

Thus, the questions this chapter aims to resolve can be summarized as follows: *How are the major trends in South Korea's economic growth from the 1960s to the present described? Under these policies, were governance initiatives developed that connected the public, private, and cooperative sectors? How did these policies affect the promotion of innovation and, consequently, the competitiveness of South Korean companies?* Finally, how can this knowledge be applied within the framework of the agreements between Colombia and South Korea?

The chapter illustrates how the enduring trends of South Korean growth are linked to the central government's proactive role in forming five-year plans and initiatives, resulting in favorable outcomes for national companies that will enhance the country's economic sectors. These policies were not solely aimed at a State-led economy; they also emphasized the development of national economic groups and citizens' engagement in adapting to a routine of innovation and the growth of systemic competitiveness, which enabled them to capitalize on globalization. From this perspective, the cooperation agreements established between Colombia and South Korea represent a significant opportunity for knowledge transfer and synergistic strategies that mutually benefit the consolidation of the economies of both countries.

For the development of this document, the following sections are expected: first, the development of some conceptual elements related to governance, competitiveness, and innovation; second, the general description of the research methodology; third, the presentation of results, with the following sections: 1) the growth policies led by South Korea between the 1960a and the present; 2) the role of initiatives in proposals characterized by governance in the process of innovation and competitiveness of companies in South Korea; and finally, a series of general guidelines on the opportunity representing the current agreements between the countries for growth and industrialization.

Conceptual Elements

For the development of this chapter, it is essential to consider three central concepts: *governance*, *innovation*, and *competitiveness*. These concepts have gained greater prominence within the framework of the current transformations, which aim to deepen the modernization strategies of the region's countries, as well as identify the types of state mediations that are fundamental to this transformation (Lechner, 2005). Such a process is embedded in a dimension of change and central to the discussion of government action, within a framework where the welfare State model has evolved into a labor State, in which it is crucial to provide conditions for utilizing global markets (Jessop, 2008).

Regarding the concept of governance, it is essential to recognize that it primarily emerges in a scenario of governance crisis, resulting from the fiscal crises experienced by States due to changes in the international architecture and regional debt, as an approach to the management and practices aimed at solving social problems while creating opportunities that, within traditional governance, are quite complex (Kooiman, 2008). Although presented as a global approach, it is worth noting that definitions of *governance* vary. A key notion comes from Joan Subirats' (2010) work. For this author, governance serves as a systemic adaptation mechanism to enhance governance in highly complex societies through the management of social coalitions (p. 12). In this context, Whittingham's (2010) perspective is crucial for understanding governance within the framework of political relations among various actors involved in making, executing, and evaluating decisions on public interest matters—a process that can be characterized as a power game, where competence and cooperation coexist as possible rules, encompassing both formal and informal institutions. The form and interaction of the various actors reflect the quality of the system and impact each of its components as well as the system as a whole (p. 222).

From a broad perspective, the work of Luis Felipe Aguilar (2008) emphasizes the process through which the actors of a society determine their objectives for coexistence—fundamental and circumstantial—and the methods of coordinating to achieve them: their sense of direction and their capacity for management (p. 14).

These visions are complemented by the works of Jan Kooiman, who represents governance as a form of interaction in which public actors, companies, and organizations of a cooperative nature within human communities come together. Thus, Kooiman (2015) states that this perspective of governance centers on different forms of socio-political interaction, establishing various distinctions, such

as those among self-governance, co-governance, and hierarchical governance and among governance levels including the first level, which involves solving problems and creating opportunities, the second level that considers institutional conditions, and meta-governance, which pertains to the principles that guide governance itself (p. 171).

Within the framework of these visions, various international organizations, including the OECD, the World Bank, and the UNDP, have strongly supported the adaptation of measures and strategies for developing governance-oriented policies. This understanding acknowledges that these initiatives enhance societies' ability to achieve their coexistence objectives and, in turn, establish the means to realize them by considering the involvement of different types of actors, not just political and institutional ones.

In terms of competitiveness, this concept has a significant relationship with the idea of *creative destruction*, which is essential for understanding the development of the capitalist system in its current form. From this relevance, we can outline various approaches to understanding competitiveness. For instance, according to Verano (2019), we can identify different characteristics: a company's competitiveness corresponds to its share in a competitive market; a country's competitiveness is defined as its economy's ability to provide its population with a high, growing standard of living and elevated employment levels on a sustainable basis; the most intuitive definition of a country's competitiveness is the share of its products in global markets; competitiveness encompasses the institutions, policies, and factors that determine the country's productivity level; and competitiveness represents a country's ability to achieve a high and sustained growth rate of GDP per capita (p. 20).

Another approach to competitiveness relates trade dynamics to its real contribution to economic growth and general well-being. In this context, competitiveness is related to a nation's ability to produce, distribute, and provide goods and services in the international competition scenario, aiming to promote a better quality of life (Porter, 1990).

Next to this definition is what the OECD (1996) has developed, which states that competitiveness reflects the extent to which a country, in scenarios of free trade and fair market conditions, can produce goods and services that meet the standards of international markets while maintaining the real income of its economy.

In this discussion, a fundamental element of a country's competitiveness is *productivity*, which relates to the capabilities of industrial sectors to develop a

series of technological innovations, producing innovative process routines that enhance their productivity and, consequently, global competitiveness.

On the other hand, when considering the dimensions of measurement and the definition of competitiveness from a microeconomic perspective, there is a foundational basis in how various economic agents participate in markets, as reflected in their productivity indicators, costs, profit margins, and net benefits. In this regard, industrial competitiveness is defined as the ability of an industry to produce goods with specific quality patterns required by certain markets, using resources at levels equal to or lower than those prevailing in similar industries around the world for a certain period (Grupo Consultivo sobre la Competitividad, 1995, p. 5).

In a contemporary context, the current approach often refers to the concept of *systemic competitiveness*. This dimension not only considers company variables and the discussion about productivity but also deepens the complex nature of competitiveness. Therefore, in the sense proposed by Saavedra et al. (2017), systemic competitiveness could be understood as a multidimensional definition that includes, in addition to internal factors, economic, political, and social determinants in the development of the industry. With an environment based on the collective effort of companies, the joint initiative of business associations, the State, and other social actors can quickly lead to the development of competitive advantages (Saavedra et al., 2017, p. 180).

Regarding innovation, it is crucial to understand how Schumpeter's pioneering work emphasized the relationship between innovation and economic development. The perspective on the introduction of new goods and services, production methods, logistics methods, sources of raw materials, and different forms of improvement clarifies this development (Schumpeter, 1942, as cited in Mella, 2018).

However, because of the importance of innovation and the revenue generated by companies and organizations, there is rapid obsolescence. This means that only those organizations that establish routine innovation processes and integrate them into their culture can maintain dominant market positions.

In the words of Robayo (2016), this pattern is characterized by what he called "creative accumulation," which creates entry barriers stemming from competition in large-scale projects, their production, and financial resources, thus making knowledge the most significant barrier (p. 4).

In this sense, the importance of innovation is emphasized in terms of strategy and competitiveness, as its absence leads to an inability to create new products and processes. Therefore, organizations must implement actions aimed at

managing what are known as innovation processes within their strategy, allowing them to develop greater adaptability and, above all, the ability to anticipate and even instigate changes that enable them to renew their competitive advantages at the right time (Robayo, 2016, p. 5).

Therefore, recognizing that contemporary innovation processes unfold within the global contexts previously described, it becomes evident that cultivating innovation skills must account for the challenges and opportunities presented by globalization, and that the economic development process necessitates the integration of this knowledge.

Methodology

The research was conducted from a qualitative perspective, analyzing secondary sources through an analytical-descriptive approach. In general terms, articles and scientific documents related to economic growth policies in Korea were examined, and from there, a spatiotemporal horizon was established spanning from the 1950s to the current era, encompassing the period of industrialization.

This literature was used to investigate the categories of explanatory analysis recurring in the South Korean growth hypothesis, resulting in a collection of categories related to governance, innovation, and competitiveness.

Considering these categories, we gathered information related to the policies targeting each one and then verified what the literature reported about their effects. Subsequently, based on the cooperation agreements signed between Colombia and South Korea, we proposed guidelines to leverage these agreements by fostering a relationship among governance, innovation, and competitiveness.

Results

This section of the document presents the main findings established in the review of secondary sources related to economic growth and its policies in South Korea. The section is divided into the following parts: first, an overview of the general trajectories of economic growth in South Korea and the key growth policies from the 1960s to the present; next, a discussion on how these policies aimed to enhance the innovation and competitiveness of companies and the South Korean market through governance practices.

General Trajectories of Economic Growth Policies in South Korea

Background of the Industrialization Process

The situation of Korea in the world during the nineteenth and early twentieth centuries was marked by the tension between China and Japan, the powers surrounding the Korean Peninsula. Japan underwent significant changes after the Tokugawa period, and the advent of the Meiji dynasty led to the emergence of Japanese militarism, which in turn led to direct intervention in neighboring countries, including Korea. In this way, Korea was compelled to open to the world after the signing of the Kangsha Treaty in 1876 and the Japanese triumph over China in the Sino-Japanese War of 1894–1895. In turn, the Japanese victory over Russia in the Russo-Japanese War of 1904–1905 marked Japan's supremacy, which it imposed as a protectorate in 1905 and ultimately adopted as a colony in 1910. Despite the independence efforts since 1919, Japan's control would persist until the end of World War II (Gupta et al., 2013).

The Japanese occupation period marked a time of growth in the Korean economy at an annual rate of 3.5%. However, this growth primarily benefited Japan, as the main source of it was the production of rice by the Koreans, which was mainly intended for Japanese consumption. Despite this situation, surpluses in agricultural production enabled the initial expansion of a manufacturing sector, particularly during the 1930s, through the creation of light industry on Japanese initiative and the development of a nascent agricultural infrastructure, including railroad construction and the building of ports and hydroelectric power plants (Gupta et al., 2013).

After the end of the Pacific War, Korea experienced a period of significant uncertainty. Influenced by Cold War dynamics, the two Koreas became divided. In South Korea, a fragile democracy was established under President Syngman Rhee, who founded the First Republic of Korea. On June 29, 1950, the war began when North Korea invaded the south. The United States, along with the United Nations, intervened to defend South Korea. The war inflicted severe human and economic damage on the Peninsula. It is estimated that more than 6 million people died and that about 80 % of the country's industry was destroyed.

In the midst of postwar tensions, President Rhee attempted to be re-elected in 1956, but student movements thwarted his efforts. Amid political and social

instability following a coup d'état, the so-called Third Republic was established with the rise of General Park Chung-hee. During this period, a process of industrialization for import substitution and the advancement of agrarian reform occurred in the country. Similarly, the nation's growth was largely supported by the United States, which accounted for a third of South Korea's economy, focusing on financing exports and imports as well as educational development (Romero et al., 2018).

Economic Policies of the 1960s. First and Second Five-Year Plans

At the start of the 1960s, South Korea faced significant economic challenges. The growth seen during the 1950s came to a halt due to limited local demand. Furthermore, the economic aid from the United States during the war began to diminish throughout the decade. Against this backdrop, the Park Chung-hee government launched an industrialization strategy aimed at boosting exports and focusing on the external sector.

This choice aligned with the interest in accessing a much more extensive market that could enable Korean-origin competitive products to be available globally. The strategies of that decade prioritized South Korea's comparative advantage in its abundant labor; therefore, a growth strategy based on light industry and assembly industries was established. This vision was framed in the first two five-year plans (1962–1966 and 1967–1971).

Generally, the vision of the industrial policy during this period, according to Aquino (2000, p. 130):

- Established the legal framework with regulations to finance exports and the Industrial Sites and Development Act for the export industry. These laws defined which industries were considered export-oriented, thus providing them with favorable financing at low interest rates. The KOTRA was also created.
- Issued laws in order to create an adequate framework to attract foreign investment, seeking foreign financing for export efforts.
- Expanded the industrial infrastructure by establishing communication routes and building ports and hydroelectric power plants.

These industrial policy measures aimed to create a supportive environment that would steer light industry production towards the external market by removing administrative hurdles to exporting products and sustaining a favorable exchange rate.

The policies implemented by South Korea allowed for historical growth. In the case of the first five-year plan, the domestic economy achieved an average annual growth rate of 8.5 %. For the second five-year plan, which was in effect between 1967 and 1971, the annual growth rate was 9.7%.

Two events that contributed to Korean industrial growth during the 1960s are related to South Korea's bilateral relations during this decade. First, due to the U.S.'s need to import goods to continue the Vietnam War, South Korea's national production increased. This growth, in turn, facilitated a significant flow of currency resulting from payments made to military personnel participating in that conflict. Secondly, the restoration of diplomatic relations with Japan in 1965 meant compensation payments would be made to the Korean government for the colonial occupation of the late nineteenth and early twentieth centuries (Borda, 2022).

Economic Policies of the 1970s. Third and Fourth Five-Year Plans

In the 1970s, South Korea modified key elements of its industrial policy. The third and fourth five-year plans emphasized heavy industry, aiming for products with greater competitiveness and higher added value. At that time, industries such as steel, machinery, automobiles, ships, electronics, and petrochemicals were prioritized.

This type of capital-intensive industry requires an increase in internal debt and external financing to support sufficient investments and advanced technology. During that time, the South Korean government bolstered financing for major national industries, consolidating economic groups (*chaebols*) such as Hyundai, Samsung, and Daewoo.

Foreign investment could only be made in the form of a joint venture to enhance the effectiveness of controls for protecting local industry. At that time, South Korea faced an unprecedented level of debt, incurring \$2.3 billion in 1970 and \$29.4 billion in 1980. The government then implemented a dual strategy; for the light industry, industrialization policies were sustained through export promotion (Borda, 2022).

In the case of heavy industry, the formula was developed from an import industrialization approach that supported the protection of local industries. However, it did not protect everyone; it was selectively designed to benefit companies with certain development potential. Partnerships were sought with these companies, such as the collaboration between Hyundai and Mitsubishi from Japan to produce cars. Additionally, efforts were made to strengthen the steel sector through the

investment and establishment of the Pohang Iron and Steel Corporation, which is considered one of the most competitive steel companies in the world (Aquino, 2020).

Aquino (2020) highlights the surprising outcomes of the industrial policy from the 1970s, summarizing it as follows: during the 3rd Five-Year Plan (1972–1976), the economy experienced an average annual growth rate of 10.1 %, and during the 4th Five-Year Plan (1977–1981), it grew at 5.5 % per year. The primary exports of this time were light industry products, such as textiles, but other items, including electronics, began to be exported in large quantities. In 1977, exports exceeded the \$10 billion mark (p. 131).

A decisive aspect of Korean industrial policy was the relationship between China and the United States in the 1970s. This situation created the possibility of withdrawing U.S. military forces from the country, making the strengthening of heavy industry for defensive purposes an imperative for the South Korean government (Snyder, 2009).

Policies of the 1980s and 1990s. Rationalization of the Industrialization Process and the Financial Crisis of 1997

The transition to the 1980s was marked by a slowdown in Korea's economic growth. This slowdown was attributed to several factors that affected the country's economy. First, there was an oversaturation in the financing of industrial projects, which favored heavy industry and contributed to the fiscal deficit. The expansion of this deficit caused industries to postpone their development capacity, making the repayment of loans from the State much more complicated. Second, the rise in global oil prices increased general production costs and intensified inflationary pressures. Third, since 1979, a series of poor harvests have impacted local agricultural production, leading to decreased consumption. Finally, there was political instability following the assassination of President Park (Borda, 2022).

Following this challenging start to the decade, the vision of Korean industrial policy focused on rationalizing industrial development and growth processes. The five-year plans from this era reflect a keen interest in optimizing the industry. To achieve this goal, several measures were implemented. Concerning the number of companies producing the same product, incentives were reduced to promote the development of economies of scale among a few firms, thus enhancing competitiveness. Similarly, the government decreased loans to business groups and stated that no sector could monopolize but should rather concentrate on activities within the same areas. These groups were also encouraged by

management to enhance their competitiveness. The economy began to liberalize through ongoing privatizations, which included the partial privatization of several banks and service firms.

The measures focused on achieving the necessary stability for markets to respond, resulting in a more competitive industry for the country. These measures contributed to a reduction in the inflation rate and an improvement in the economic situation. During the five-year plans, there was significant growth: between 1982 and 1986, the annual average growth rate reached 9.8 %, and in the 1987–1991 period, it was 10.1 % per year. Similarly, exports increased, and the share of heavy industry products rose at the expense of light industry products. Thus, the \$60 billion in exports was exceeded in 1988, maintaining a commercial surplus that lasted until 1989. The decline in oil prices, combined with access to credit from falling international interest rates and the won devaluation, enabled exports and lowered production costs (Aquino, 2000).

In 1987, a shift occurred in the country's policy development with the election of General Roh Tae Woo. When President Tae Woo took office, the liberties of the population increased, and there was a greater demand for wages and the organization of unions in industrial sectors. The Korean currency was also revalued against the U.S. dollar, impacting the country's competitiveness, especially in sectors with intensive industries, where labor costs had risen due to the reforms introduced (Borda, 2022).

The 1990s marked a significant transformation in the Korean economy, shifting from a low-cost economy based on labor-intensive products to an export-oriented one centered on capital-intensive industries. This situation developed to the extent that the international community pressured South Korea to open its economy, removing barriers to imports and trade. These measures influenced the design of the five-year plan from 1992 to 1996 (Stanley, 2017).

In this open and liberalized scenario, the 1997 Asian financial crisis emerged, starting with the devaluation of the Thai currency. The won underwent significant devaluation, and the Stock Exchange index fell from 758 to 305 during the same period, largely due to the massive indebtedness of Korean companies that could not meet their credit obligations. The crisis compelled South Korea to seek assistance from the International Monetary Fund (IMF) in the amount of \$21 billion. As a result, the economy declined by 5.8 % in 1998.

Regarding the causes of the crisis, some sectors attribute it to the reforms of the financial market and the negative effects associated with the liberalization of

the financial sector (Sachs et al., 1998). Others consider that the crisis was related to the negative role played by the *chaebols* of Korea and the capitalist model of competence behind this (Krueger et al., 2002).

This second version represented the dominant vision in the measures taken by South Korea as it set its economy on a new neoliberal path. The government aimed to advance the restructuring proposed by the IMF plan. The business sector bore the brunt of the IMF’s recessionary policies, as the credit crisis left local companies with limited funds (Lee, 2010).

Corporate investment finally collapsed in 1998, with fixed investment contracting by more than 20 %. Accepting the IMF’s advice, the Korean authorities continued implementing liberalization and deregulation measures (Noland, 2012). In this context, the promulgation of the Foreign Investment Promotion Act (FIPA) and the approval of the Foreign Exchange Transaction Act (FETA) marked the dawn of a new era, permitting all capital account transactions except those expressly prohibited (Kim & Yang, 2010). The \$21 billion rescue package granted was the largest in IMF history and represented Korea’s limit under the IMF.

Despite implementing these measures, IMF loans became questionable due to the extent of changes in corporate governance in Korea and the country’s financial restructuring.

The subsequent period of the Korean economy was marked by sustained growth in the industrial sector, which facilitated the consolidation of central economic groups such as the *chaebols*. This phase reflects a revitalization over the last two decades, during which these groups have capitalized on market liberalization and opening, although they have not achieved the growth rates seen in the 1950s, 1960s, 1970s, and 1980s. Notable years of growth include 2000 and 2010. These overall figures are presented in Table 1.

Table 1. Evolution of GDP Growth in South Korea (1961–2016)

YEAR	ANNUAL GDP GROWTH %
1961	6.882
1965	7.184
1970	9.997
1975	7.864
1980	-1.701
1985	7.75

YEAR	ANNUAL GDP GROWTH %
1990	9.811
1995	9.571
2000	8.924
2005	3.924
2010	6.497
2011	3.682
2012	2.292
2013	2.896
2014	3.341
2015	2.79
2016	2.828
2017	3.20
2018	2.91
2019	2.2

Source: Banco Mundial (2020).

The Role of Governance, Innovation, and Competitiveness of the Policies Developed in South Korea

Governance

When discussing governance, we emphasize the necessity of establishing government networks that engage private actors (companies, unions), state actors, and community actors to address social needs and alleviate the uncertainty inherent in a State-centric approach to economic reforms. In this regard, several characteristics examined in industrial policies are evident, as presented in the previous section. This form of network governance, based on actor coordination, highlights interesting traits, as demonstrated below.

First, the Korean model has successfully designed, implemented, and promoted a developmental State that transformed a poor country into a prosperous one. According to McNamara (2003), the combination of political governance with government bureaucracy's economic interventions provided a comprehensive concept that reflects the interpenetration of politics and economy in the Korean case (p. 12).

Regarding the crucial political leadership necessary for developing these governance strategies, it is observed that the president's role has been central. South Korean politics are viewed as being focused on the leader; the presidency has been the heart and mind of the country.

This situation can be observed in the five-year plans of Park from 1961 to 1979, which created a stable and trustworthy political environment. The presence of these characteristics within the framework of the regime's authoritarianism is striking, especially considering that its leader, despite these traits, was regarded as an active and capable figure with strong will and commitment. He prioritized economic development, thereby gaining significant popular support until the end of his regime (Sorin, 2018).

Another relevant attribute of governance is evident in the close and extensive cooperation between the government and companies. The maintenance of the political order is linked to rapid economic growth, particularly through the establishment of industrial and trade zones, which enabled the success of Korean companies (Lall, 2003).

Additionally, the chaebol approach to the economic system constitutes an interesting peculiarity. Greatly influenced by Confucianism—for example, the father-son relations—and with the support of the State, the chaebols were powerful and rigidly hierarchical companies that dominated the Korean market. Over time, chaebols such as Samsung and Hyundai have become competitive on a global scale.

According to Lim (2022), the South Korean model combines a strong State with a strong society, facilitating commitment between institutions and the State, along with its capacity to create an environment that encourages citizen participation. The same author highlights that the 1997 crisis, which impacted the Korean economy, did not necessarily lead to the neglect of crucial issues such as social protection and solidarity in the country's policies (Lim, 2022).

Innovation and Competitiveness in the Industrial Policy of South Korea

As presented in the Korean industrial policy overview, the country's dynamic growth is closely tied to a vision centered on innovation. The practice of routinizing innovation processes—first in the light industry and subsequently in the heavy industry—evolved through the understanding of creative destruction, which enabled companies to better adapt to global markets.

It is worth noting that for a country to be perceived as innovative, certain aspects must be ensured. For example, the methodology of the Bloomberg Innovation Index includes: 1) Research and Development, 2) Manufacturing, 3) High-Tech Companies, 4) Postsecondary Education, 5) Research Personnel, and 6) Patents (Bloomberg, 2022)

Regarding these aspects, the Innovation Index in the latest measurements has placed South Korea in a prominent position. In 2021, it regained the title of the nation with the most technologically advanced economy. In this context, the best performance metric for South Korea is the number of patents, which has allowed it to maintain its top position in the world. South Korea ranked second in both research and development intensity and gross added value in manufacturing, as well as fourth in the density of high-tech companies, and third in the concentration of researchers. South Korea is home to companies such as Samsung, LG, and Hyundai (World Population Review, 2022, para. 2).

Along with these considerations, Korea boasts 11 industries among the top 20 experiencing the highest global growth. These include information and communication technologies (ICT), semiconductors, healthcare-related technologies, and the Internet of Things.

In addition to its innovation efforts, South Korea has advanced a plan called the New Korean Agreement, which addresses environmental sustainability and digital transformation issues.

This digital new deal sets goals for: integrating data, smart networks, and artificial intelligence (AI) into the economy; digitizing education infrastructure; establishing 15 new big data platforms; enhancing cyber security, improving high-speed internet access in rural areas, increasing the capacity for data collection and usage, and applying AI in industry and government; creating a smart network system to conserve energy; and training 100,000 people in AI and software (Rosales, 2021).

The factors related to competitiveness have been essential in South Korea's industrial growth process. During the latter half of the twentieth century, development in this regard was driven by leveraging the country's abundant labor, which propelled the sectors associated with light industry. After the 1980s, the focus shifted to heavy industry within strategic sectors (Rosales, 2021).

This characteristic of abundant labor with low wages ceased to be a viable option since the 1990s, with the increase in real wages of South Korean workers and the democratization of society. Such a situation led to a surge in the highly technological sector. Thus, investment in research and development, as well as the

formation of human talent associated with avant-garde technologies, became key to South Korean competitiveness (Rosales, 2021).

Another important aspect of developing South Korean competitiveness is the use and projection of *foreign direct investment* (FDI). This has been facilitated by the liberalizations and deregulations implemented by the country, following the recommendations of the Doha Development Agenda and the content of the Uruguay Round of the World Trade Organization (WTO).

As Sakong and Koh point out, this liberalization has spurred remarkable growth. In the 2000s, FDI in the services sector surpassed that in the manufacturing sector, and the gap between them widened even further from that point onward. By 2008, the services sector accounted for 70 % of FDI, while the manufacturing sector comprised 30 %. There was significant FDI in the financial, insurance, distribution, and business services sectors (Sakong & Koh, 2018, p. 209).

In turn, South Korean competitiveness has been enhanced by the government, particularly in terms of the impact of imports on economic growth and competitiveness improvements. For several periods, the country's imports exceeded its exports, leading to the promotion of industrial machinery imports and intermediate supplies, which allowed for better production costs and improved quality of final products.

Conclusions

As presented in this document, the industrial growth process of South Korea serves as a reference of great interest when considering the experiences and good practices that enable countries to achieve substantial improvements in competitiveness and innovation, as well as their relationship with governance practices.

The experience of this Asian country illustrates how the vision found between pro-market and pro-business paradigms—some favor the liberalization and deregulation of markets, opting for a conservative state role based on stability, while others endorse the concept of an interventionist State that guides the industrialization process—cannot be viewed in absolute terms. South Korea has demonstrated, despite numerous challenges, the ability to adapt its policies pragmatically, thereby enhancing its standards and addressing contemporary issues, and has achieved high levels of competitiveness and innovation.

Thus, the opportunities that arise for Colombia from this learning are extremely valuable, as they seek to deepen relations with South Korea. These relationships

not only support bilateral cooperation but also open up possibilities for partnerships that promote advancements in high-tech areas through knowledge transfer.

It is essential to highlight the significant opportunities that these areas present, as exemplified by the memoranda of understanding signed by the current government in the fields of ICT and digital government, because their implementation can help narrow the digital divide between Colombia and the leading technologically advanced countries. As is known, Korea has made notable progress in these areas, particularly in sectors such as 5G and high-speed internet.

In turn, South Korea's expertise in designing and implementing public policies for transformation enables Colombia to recognize an ally that facilitates development in this area.

Among the priorities outlined in the first memorandum are the promotion of sectors such as telecommunications infrastructure, including fiber optics, internet networks, cybersecurity, and AI, as well as their application for digital transformation and the creation of new services. Additionally, the memorandum encompasses other areas, including the Internet of Things, big data, occupational thought, and startups (National Radio, 2021).

In the case of the memorandum on digital government, the center facilitates the exchange of experiences among governments in the digital government sector. The document establishes that the agreement is committed to sharing good practices, personnel exchanges, and conducting joint studies, in addition to providing political and technical advice for digital government, its rules, and related institutions (Radio Nacional, 2021).

It will be possible to take advantage of the opportunity presented by these memoranda as long as the national government and private and cooperative solidarity actors acknowledge their potentials and collaboratively establish paths for the immense task of understanding the implications of globalization for emerging economies such as Colombia, recognizing which initiatives fall within this framework of cooperation. It is essential to develop a clearer agenda for the country's industrialization and to consider the policies undertaken in light of the actual effects of growth, beyond the ideological tensions that the political use of the measures to be implemented may cause.

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