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# Achieving $700 Billion in K-Exports: Lessons from Germany and Japan

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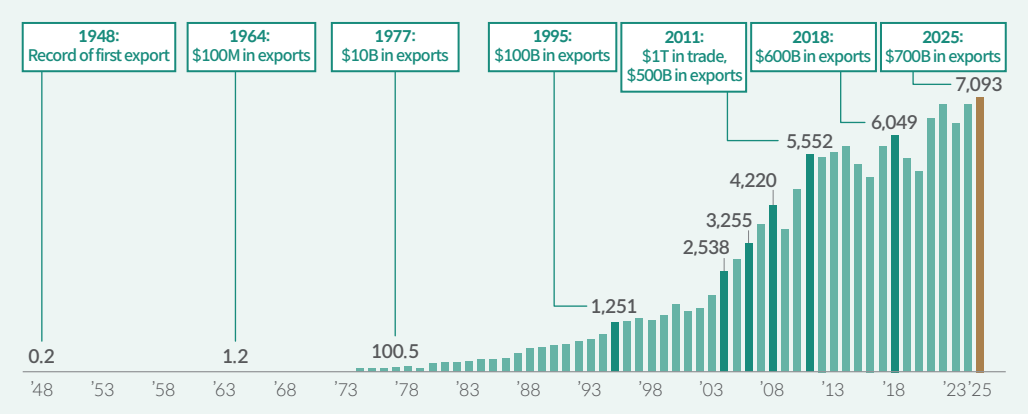
## Background

- **In 2025, 77 years after the government's establishment in 1948, South Korea achieved annual exports of $700 billion for the first time.**
  - This figure grew from $19 million in 1948 to over 36,000 times that amount, with a compound annual growth rate (CAGR) of 14.6%.
    - This achievement comes 61 years after breaking the $100 million mark in 1964.
  - Since the 1960s, South Korea has promoted economic development through an export-led growth strategy to overcome its limited natural resources and domestic market.

[Figure 1] South Korea's Annual Export Trends Since 1948

($100M)




Source: Korea Customs and Trade Development Institute, Customs and Trade Trends, "Republic of Korea Proudly Joins the Ranks of Export Powerhouses, Becoming the 6th in the World to Achieve $700 Billion in Annual Exports," Dec. 29, 2025.

- **This brief evaluates this achievement and presents policy directions and implications through the cases of countries that reached it before Korea.**

## Evaluation of $700 Billion in K-Exports

- **The external growth of $700 billion in exports is an achievement made amidst difficult trade conditions, such as the spread of protectionism; however, the concentration on certain items like semiconductors remains a future challenge.**
  - Concerns are being raised about the decline in our economy's crisis response capabilities as the semiconductor bias phenomenon-where exports are concentrated in semiconductors-intensifies.

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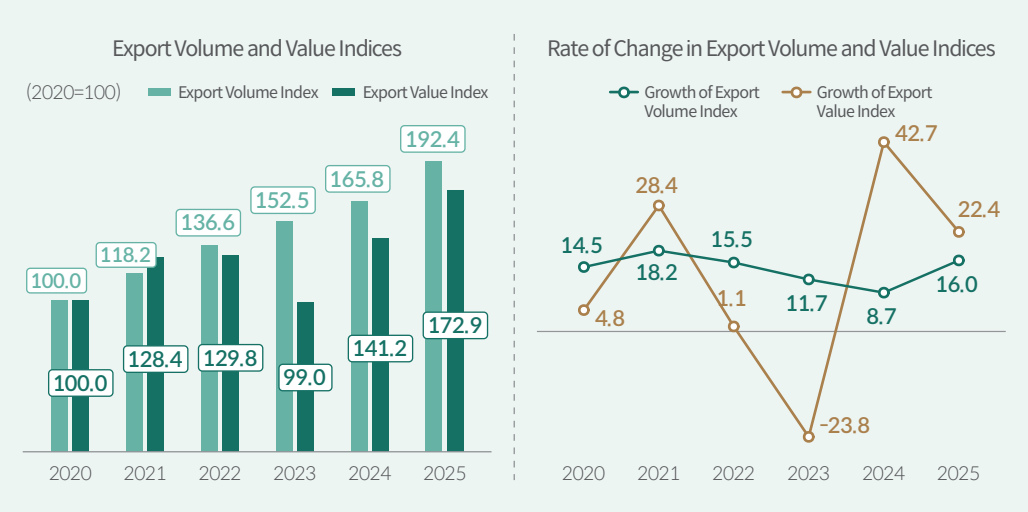
- While semiconductor exports have cushioned the impact of U.S. tariffs, dependence has increased in the process, and the ripple effect on the entire economy is expected to be significant during future semiconductor market downturns.[1)]
- The final demand for our semiconductors is concentrated in mobile (44.0%) and data center servers (20.6%), making them vulnerable to economic volatility driven by global smartphone demand and Big Tech company investments.[2)]

## ▪ The achievement of $700 billion in exports in 2025 is somewhat misleading, as it was influenced by a surge in semiconductor prices.

- Excluding semiconductors, total exports in 2025 decreased by 1.1% compared to 2024.
  - Export value excluding semiconductors: $541.7B in 2024 → $535.9B in 2025
- Semiconductor exports in 2025 ($173.4B) increased by 22.2% from the previous year ($141.9B), primarily due to the surge in semiconductor prices.[3)]
  - The semiconductor export value index increased by 22.4% year-on-year, rising more sharply than the export volume index (16.0%).

[Figure 2] **Trends in Semiconductor Export Volume and Value Indices**




Source: Bank of Korea, ECOS Economic Statistics System

## ▪ The stagnation of the top 10 export items shows that while the export competitiveness of our flagship industries remains steady, we are struggling to diversify export items.

- Semiconductors and automobiles have remained the No. 1 and 2 export items for 30 years, and recently, the decrease in newly entering items has lowered industry dynamism.

1) Bank of Korea, "Evaluation of Recent Export and Current Account Status and Future Outlook," Economic Situation Evaluation, Oct. 23, 2025.
2) Bank of Korea, "Characteristics and Implications of South Korea's Semiconductor Demand Structure," Economic Outlook Report Evaluation, May 30, 2023.
3) Semiconductor DRAM fixed price (USD, 2025 Q1 to Q4, average of each quarter): 1.35 → 2.12 → 5.30 → 8.13
Semiconductor NAND fixed price (USD, 2025 Q1 to Q4, average of each quarter): 2.33 → 2.94 → 3.53 → 5.0

[Table 1] Trends in Korea's Top 10 Export Items

| | 1985 | 1995 | 2005 | 2015 | 2025 |
|---|---|---|---|---|---|
| 1st | Shipbuilding | Semiconductors | Semiconductors | Semiconductors | Semiconductors |
| 2nd | Clothing | **Automobiles** | Automobiles | Automobiles | Automobiles |
| 3rd | Furniture | Shipbuilding | **Wireless communication devices** | Shipbuilding | Petroleum products |
| 4th | Steel plates | **Fabric** | Shipbuilding | Wireless communication devices | Shipbuilding |
| 5th | Video equipment | Video equipment | Petroleum products | Petroleum products | Synthetic resin |
| 6th | Semiconductors | **Electronic application devices** | Computers | **Display devices** | Auto parts |
| 7th | Petroleum products | **Computers** | Synthetic resin | Auto parts | Steel plates |
| 8th | Synthetic filament fabrics | Clothing | Steel plates | Synthetic resin | Wireless communication devices |
| 9th | Audio equipment | Steel plates | **Auto parts** | Steel plates | Display devices |
| 10th | Rails and iron structures | **Synthetic resin** | Video equipment | **Plastic products** | Computers |

Note: 1. Items are based on MTI 3-digit
2. ■ Colored text indicates newly entered items
Source: Korea International Trade Association, K-stat Trade Statistics

## Countries with $700 Billion in Exports

▪ **In 2025, South Korea became the 6th country to achieve $700 billion ($709.3 billion) in exports, following the U.S. (2000), Germany (2003), China (2005), Japan (2007), and the Netherlands (2018).**

- South Korea took longer (7 years) to reach $700 billion after achieving $600 billion than the U.S. (4), Germany (1), China (0), and Japan (1); but less time than the Netherlands (10).
  - The Netherlands is based on intermediary processing trade, and its export growth rate slowed as the economic recovery of surrounding EU countries was delayed due to the 2010–2015 Eurozone fiscal crisis.
  - South Korea's export growth stagnated due to U.S.-China trade conflicts, global supply chain restructuring, sluggish exports to China (economic slowdown in China and import substitution of intermediate goods since 2020), and the COVID-19 pandemic.

[Table 2] First Achievement Year by Export Value for Major Countries

| | U.S. | Germany | China | Japan | France | Netherlands | Korea |
|---|---|---|---|---|---|---|---|
| $100B | 1975 | 1976 | 1994 | 1979 | 1979 | 1988 | 1995 |
| $200B | 1980(5) | 1986(10) | 2000(6) | 1986(7) | 1990(11) | 1995(7) | 2004(9) |
| $300B | 1988(8) | 1988(2) | 2002(2) | 1991(5) | 1995(5) | 2004(9) | 2006(2) |
| $400B | 1991(3) | 1990(2) | 2003(1) | 1995(4) | 2004(9) | 2005(1) | 2008(2) |
| $500B | 1994(3) | 1995(5) | 2004(1) | 2004(9) | 2007(3) | 2007(2) | 2011(3) |
| $600B | 1996(2) | 2002(7) | 2005(1) | 2006(2) | 2008(1) | 2008(1) | 2018(7) |
| $700B | 2000(4) | 2003(1) | 2005(0) | 2007(1) | - | 2018(10) | 2025(7) |

Note: Numbers in brackets indicate the number of years taken to achieve the next level after reaching $100 billion.
Source: IMF World Statistics from Korea International Trade Association, K-stat Trade Statistics

- **Countries achieving $700 billion in exports are classified based on their export drivers into Manufacturing Advancement, Giant Domestic Market Expansion, and Supply Chain Hub types.**
  - Manufacturing Advancement type centers on advanced manufacturing capabilities: Germany, Japan, and Korea
    - Super-gap technology in precision machinery, automobiles, and chemicals (Germany); key status within the supply chain for materials, parts, and equipment (Japan); manufacturing capabilities in advanced strategic industries such as semiconductors and LNG carriers (Korea)
  - Giant Domestic Market Expansion type is based on economies of scale: U.S. and China
    - Commonly realizing economies of scale based on a massive domestic market; strengthening export capabilities in Big Tech, energy, etc. (U.S.); moving beyond being the world's factory to maximizing economies of scale in new energy fields such as electric vehicles, batteries, and solar power (China)
  - Supply Chain Hub type centers on logistics and intermediary trade: Netherlands
    - Maximizing intermediary trade and logistics systems by utilizing geopolitical advantages; creating massive trade volumes by serving as the gateway to the European continent (Port of Rotterdam)

| Manufacturing Advancement: Advanced Manufacturing Capabilities | Giant Domestic Market Expansion: Economies of Scale | Supply Chain Hub: Logistics and Intermediary Trade |
|---|---|---|
| Germany, Japan, Korea | U.S., China | Netherlands |

## Lessons from Germany and Japan

- **Germany enjoyed strong exports through high technology and a global division of labor but is currently at risk due to the digitalization of industrial structures and green transition.**
  - Germany mainly exports automobiles, mechanical equipment, chemicals, and electrical/electronic products; between 2011 and 2013, it surpassed China to maintain the world's largest trade surplus.
  - Key competitiveness factors included the exchange rate effect following the Euro's introduction, the technological prowess of the Mittelstand (SMEs), and capturing demand from emerging countries.
  - Recently, export competitiveness has declined due to high energy prices from the green energy transition, labor shortages from population decline, delayed digital transformation, and bureaucratic corporate culture hindering innovation.
    - In particular, as the German automobile industry's transition from internal combustion engines to electric vehicles was delayed, it faced a complex crisis with high production costs and falling competitiveness in the Chinese market, resulting in a serious slump.
- **Unlike other countries, Japan has experienced export stagnation after reaching $700 billion due to its failure to actively respond to changes in the external environment, such as the rise of emerging countries and global digitalization.**

- After the 2008 financial crisis, production bases continued to move overseas due to a decline in price competitiveness caused by the strong yen; export competitiveness weakened as digital transformation was delayed due to the rigidity of the industrial structure, leading to a drop in world market share.
- Amidst a shrinking domestic market and a decreasing productive population due to long-term low growth and aging, domestic investment has shrunk and technological innovation has been delayed due to the deferral of corporate structural reforms and a lack of effective demand following entrenched deflation, leading to a decline in export competitiveness.

## Implications for Sustainable Growth

▪ **It is necessary to prepare for the post-$700-billion-in-exports period by implementing timely policies, taking Germany's "delayed digital transformation" and Japan's "population cliff and structural reform failure" as cautionary tales.**

- Supplement labor shortages caused by demographic changes such as low birth rates and aging by introducing smart factories and AI, and policies to support the movement of labor to high-value-added industries.
- Secure competitiveness through AI transformation (AX) and servitization of manufacturing processes so that current mainstay industries such as semiconductors and automobiles do not remain limited to hardware manufacturing capabilities.
- Referencing cases of declining export competitiveness due to industrial hollowing-out caused by moving production bases overseas, actively promote Korean companies' reshoring.
  - Actively promote the domestic return of our companies that entered North America, China, Vietnam, etc., for purposes such as offshoring and nearshoring.

▪ **It is necessary to mitigate semiconductor bias through export diversification, stabilize supply chains, and strengthen trade risk management for the Korean economy's sustainable growth.**

- Reduce high dependence on the semiconductor sector by fostering new growth engine items such as automobiles, ships, bio, and K-food, and maintain a technological lead centered on high-value-added products in semiconductors, chemicals, steel, and secondary batteries where China's low-price offensive and technological pursuit are intense.
- To establish a trade structure that can actively cope with changes in global protectionist policies (supply chain diversification), lower market concentration on the U.S. and China, and seek diversification of export hubs toward "Post-China" regions such as India and ASEAN.

☞ For more details, refer to NABO Industry Trends & Issues (Vol. 80)

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