

## **Cost Structure Comparison of Korea and Japan using Input-Output Tables**

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Economic structure of Korea and Japan share common characteristics. The economic structures of both countries heavily depends on the export competitiveness of manufacturing products such as automobiles, and electric devices. However, there are subtle differences in the cost structure of the manufacturing sectors between two countries. Since Japan has isolated overseas production processes horizontally while Korea distributed production process vertically worldwide, the connection of the Korean economy with foreign inputs is more stronger which implies higher impact on Korean economy than Japanese economy when external economic conditions change. In this context, we use inter-country input-output tables, and compare the cost structure of Korea and Japan industries with special focus on their linkages with other countries. Not only comparing the total anticipated impact of changes in external economic conditions, we also compare the difference in major countries that contributes to changes in production cost in the case of both Korea and Japan. Also, we investigate the third country participation in the production process, and compare the relative sizes, and major countries that induce third country effect.