

An Analysis of the Cost Structure of Telecommunication Industry in Korea

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Abstract

This study focuses on the current policy issues of the introduction of competition into a telecommunication market in Korea. The objective of this paper is an empirical analysis of the cost structure of telecommunication industry in Korea. Estimating KT(Korea Telecom)'s multi-product cost function, we characterize KT's cost structures such as factor elasticities of cost, economies of scale and cost complementarity. Furthermore we attempt natural monopoly test for KT, which will give the crucial clue for economic efficiency of the introduction of competition into a telecommunication market in Korea.