1. Current Status of Korean SMEs

2. Korean Policies for SMEs
   1. Enabling an easy start-up and market exit
   2. Fostering creative innovation capability
   3. Expanding growth basis that promotes competition
   4. Alleviating economic polarization through mutual growth
   5. Providing practical services for SMEs

3. Outcome of Korean Policies for SMEs
1. Current Status of Korean SMEs
SMEs have become key to raising national economic competitiveness.

No. of SMEs: 2,998,223 (99.8%)

- Production: 75.3%, 85.6%, 86.5% in 1998, 2001, 2004 respectively.
- Employment: 46.4%, 48.6% in 1998 and 2004.
- Export: (billion) 81.7 in 2003, 90.4 in 2004, 92.1 in 2005.
SMEs’ Contribution to the National Economy

1. Employment
   - 1998: 75.3%
   - 2001: 85.6%
   - 2004: 86.5%
   - The yearly mean: 90~00 0.52
     00~04 1.76

2. Production
   - 1998: 46.3%
   - 2001: 49.1%
   - 2004: 48.6%
   - The yearly mean: 90~00 13.46
     00~04 9.42

3. Value added
   - 1998: 48.0%
   - 2001: 51.6%
   - 2004: 49.4%
   - The yearly mean: 90~00 13.36
     00~04 7.72
2 Korean Policies for SMEs
1960s: Created SME Policy

- Established a legal framework for assisting and fostering SMEs
- Small and Medium Enterprise Cooperative Act ('61), Set-aside Program ('65), framework Act on Small and Medium Enterprises ('66)

1970~80s: Protected and fostered SMEs

- Fostered them as a player of supplying and producing parts with heavy chemical industry-driven policy in place
- SME-exclusive industry system ('79), Stable supply to large company system ('80)
- Created Credit Guarantee Fund ('76), Small Business Corporation ('79), Technology Credit Guarantee fund ('89)

1990s: Pursued structural improvement of SMEs

- Changed policy focus to autonomy, opening and competition with the inauguration of WTO (Jan. ’95)
- Removed SME-exclusive industry ('94), Reduced a set-aside for small business ('95) Enacted the Act on Supporting Structural improvement and managerial Stabilization of Small and Medium Business ('95), Created SMBA ('96)

Financial Crisis~Y’02: Fostered venture business, promoted start-up

- Established measure to complement weak areas such as small business with focus on venture policy
- Opened KOSDAQ ('96), Related the requirements of listing on KOSDAQ and provided tax benefits ('98)
- Special Act on Venture Business ('97), Small Business Act ('97), Women’s Business Act ('99)
Change of Economic Environment

Knowledge-based Economy

Digitalization

New Economic Environment

Technology Innovation

Innovation-led Economy
Direction of Korea’s SME policy

Shift in SME Policy Paradigm

Input-based
- Protection · Promotion
- Direct Assistance
- Constantly responding
- Supply-oriented

Innovation-led
- Competition · Cooperation
- Establishment of infrastructure
- Tailored to customer needs
- Promoting customer convenience and access
Policy Objective and Tasks for Implementation

Fostering innovative SMEs to usher in the era of $20,000 (per capita income)

Expanding ecosystem for easy start-up and market exit
- Expanding the basis for growth of start-up business
- Reforming start-up related Regulations and procedure
- Conducting business conversion and restructuring

Fostering creative innovation ability
- Developing new technology and facilitating commercialization
- Fostering market-friendly venture business environment
- Strengthening capacity for management innovation

Expanding basis for competition and growth
- Providing policy finance based on future value
- Expanding consumer market and promoting export
- Upgrading manpower structure and improving demand and supply

Alleviating polarization through mutual growth
- Strengthening practical cooperation between large and small business
- Ensuring competitive for micro-enterprises
- Assisting local, women-owned, handicapped-run business

Practical Service for SMEs
- 1357 comprehensive counseling system
- Reduction of paperwork by on-third
- Quality control of zero-defect policy
- Customized policy information
1. Enabling an easy start-up and market exit

Tasks for Implementation

1. Expanding the basis for growth of start-up business
   - Helping start-up business with financial strain
   - Enhancing efficiency of Business Incubators
   - Encouraging start-up through business education

2. Reforming start-up related regulations and procedures
   - Simplifying the procedures for establishing legal entity and factory
   - Creating environment favorable for SMEs

3. Conducting business conversion and restructuring
   - Enacting the Act on Business Conversion and Restructuring, Establishing Assistance Center
2. Fostering creative innovation capability

Tasks for Implementation

1. Strengthening innovative capacity through increased R&D
   - Fostering innovative SMEs with increased R&D budget and technological development
   - Facilitating commercialization of technology and marketing

2. Establishing the basis for healthy venture ecosystem
   - Establishing market-oriented venture business environment
   - Promoting venture investment market and its secondary market

3. Strengthening capacity for innovation on management
   - Establishing the basis for nurturing management-innovative SMEs
   - Assisting in terms of production and management digitalization
3. Expanding growth basis that promotes competition

Tasks for Implementation

1. Providing policy finance based on future value
   - Strengthening assistance through Gov. loan program based on technology and future value
   - Enhancing efficiency of Gov. credit guarantee assistance
   - Establishing infrastructure for SME financing

2. Expanding consumer market and promoting export
   - Expanding public purchasing of SME product
   - Promoting the entry into foreign market

3. Upgrading manpower structure and improving demand and supply
   - Providing SMEs with production and technology manpower
   - Developing workers’ skills and inducing their long-term employment
4. Alleviating polarization through mutual growth

Tasks for Implementation

1. Strengthening practical cooperation between large and small business
   - Strengthening audit of unfair trade and mediation of dispute
   - Dispatching joint trade mission, using overseas logistics facilities, holding cooperation fair

2. Ensuring competitiveness for micro-enterprises
   - Enhancing Innovation management, Developing market management, Improving facilities, Developing commercial complex
   - Establishing micro-enterprise centers, providing financial assistance, reducing tax burden

3. Assisting local, Women-owned, Handicapped-run business
   - Revitalizing start-up of women-owned business, enhancing their management ability, providing financial and marketing assistance
   - Enacting the handicapped-related law and establishing assistance centers
5. Providing practical services for SMEs

Tasks for Implementation

1. Strengthening promotion of SME policy
   - Customized information SPI-1357 system, and call center
   - Each employee is in charge of several customers under customer management system

2. SME Administration Innovation
   - Activating innovation forums to build capacity of SMEs and internal employees
6. Effective Policy delivery: Spi-1357 System

Policy Information: www.spi.go.kr

Counseling: ☎ 1357

- Operating comprehensive call center
- Establishing DB of 6,000 working-level officials,
  Providing counseling service in real time

Enhancing customer satisfaction

- Integrating the networks of commercial complex and public purchasing information
- Operating the system of delivering customized policy information

Ubiquitous SMBA
3 Outcome of Korean Policies for SMEs
Gradually increasing innovation achievements

Continuous build-up in infrastructure for technological innovation

Innovative SMEs (No.)

- 2002: 10,634
- 2003: 10,077
- 2004: 10,729
- 2005: 13,186

SME proportion in R&D (%)

- 2001: 18.1
- 2002: 18.1
- 2003: 19.6
- 2004: 19.5

SME research institute (No.)

- 2002: 8,863
- 2003: 8,927
- 2004: 9,387
- 2005: 10,894

Continuous rise in innovative SMEs

Gradually increasing innovation achievements

Continuous build-up in infrastructure for technological innovation

Gradually increasing innovation achievements
Continuously rising satisfaction with SME policy

- 69.7% in 2004
- 72.4% in 2005
- 75.2% in 2006
Thank you!