



# BRIDGING THE PACIFIC

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News From KOREA

## Fostering Small, Medium and Venture Enterprises Sound & Balanced Growth for Korea Inc.

Small, medium and venture enterprises constitute the nucleus of the Korean economy. Statistics show that as of the end of 2002 there were 2.95 million small, medium and venture companies operating in Korea, accounting for 99.8% of all enterprises in the country. These companies also employ 86.7% of the nation's total workforce and added 2.12 million employees over the 1997 to 2002 period while conglomerates reduced employment by 1.2 million over the same period. This reflects the importance of small and medium enterprises (SMEs) in job creation at a time when new college graduates are having difficulty finding a job, creating a bottleneck for the nation's economy.

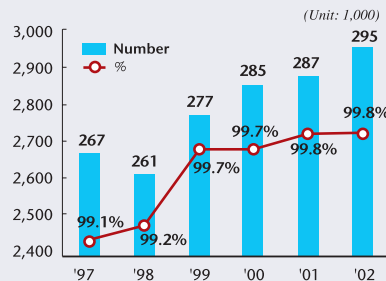
SMEs are also key to the nation's economy as next-generation growth engines. They generate a fertile environment for technological innovation, which is the core of the new industrial paradigm.

These facts point to the need to support the establishment and development of small, medium and venture enterprises. Presently, government policy direction is focused on boosting innovation-oriented SMEs to achieve balanced growth in terms of geographic areas as well as in terms of the lower and middle class.

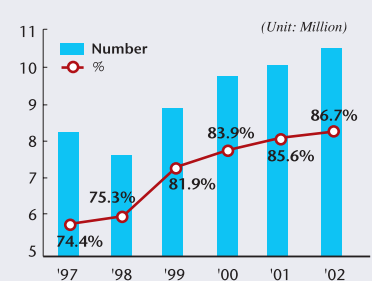
In this context, President Roh Moo-hyun has been very diligent in attending policy discussions related to SME issues. He takes every opportunity to highlight their contribution to Korea Inc. and the need to further support their efforts.

Among the major initiatives to support SMEs is the development of channels to achieve financial support to invigorate their economic activities. One such approach is the technology mortgage program that would use the technology developed by SMEs to secure funding from leading financial institutions. The government is involved in determining methods to evaluate the value of such technologies. A second

Number of SMEs



Number of SME Employees



approach to the financing issue is the creation of a fund to support the commercialization of promising technology.

In addition to funding, the government also is pursuing ways to establish greater collaboration and cooperation between SMEs and large corporations. It supports programs that would share technology and manpower development as well as joint facility utilization and joint marketing efforts.

A good example of this type of cooperation is the 20.2 billion won fund established by LG Electronics to support technology development by small, medium and venture firms.

Behind these government programs is the concept of sharing in the benefits for balanced social growth. They seek to address social friction caused by the imbalanced growth between conglomerates and SMEs.

The small and medium business sector also has limitations on the level at which they can pursue international cooperation and tie-ups. To alleviate this problem, government officials are helping to build business networks between Korean companies and counterparts abroad. Included among these types of programs is support of joint studies for international projects with SME involvement.

Fundamentally, the government can only be a cheerleader in its support of SMEs, but it is able to direct broad-based policy support, for example by allowing tax deductions of up to 50% to large companies that cooperate with small, medium or venture enterprises.